

2011 ANNUAL REPORT



Northern
Development
INITIATIVE TRUST



Building a
Stronger North

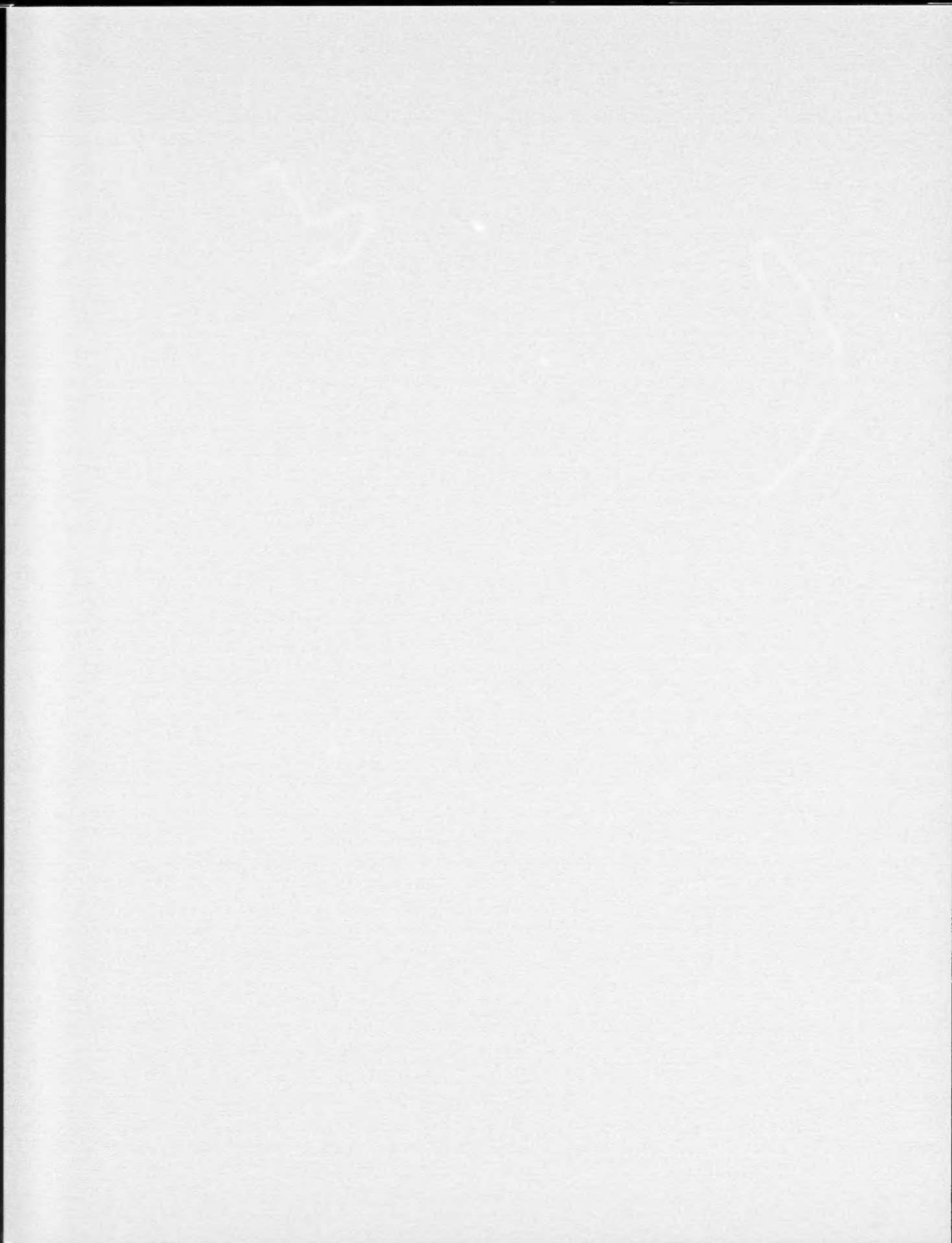


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2011 Message from the Chair and CEO

Central and northern British Columbia regions continue to excel in utilizing the Northern Development Initiative Trust to innovate and drive the economy during the 'Northern Decade'. Over 860 individual investments have been made since the Trust's inception in 2005 and have flowed into projects where communities, First Nations and businesses take leadership in growing jobs, revenues and our quality of life.

A record 222 funding initiatives were approved in 2011, and the Board expects to surpass the milestone of one thousand cumulative project approvals in 2012.

Beyond flowing \$10.7 million in funding to our communities in 2011, the single biggest difference that Northern Development made to our central and northern BC communities was in acting as a magnet for funds to flow into the region from other funders. Communities and non-profits groups have a local source of funding in the Trust that can leverage their ability to attract other funds for projects that build our economy and quality of life. The largest partner in funding is the Federal government followed by business and then the Provincial government and not-for-profit foundations. Northern Development funds were matched at a ratio of \$9.17 for every \$1 from the Trust that was invested in a regional economic development investment.

Community capacity was also enhanced in 2011 by the Internship Program which successfully placed four UNBC graduates into the challenging and rewarding careers of community economic development.

Client surveys continue to provide feedback for continuous improvement in our business processes and the staff are extremely proud of the 99% overall approval rating that the public places on the service that they receive. Our staff and our volunteer board are motivated by the reward of positive public feedback on how we serve the regions. In the fall of 2011, our inaugural newsletter "Building a Stronger North" was delivered to 120,000 homes and businesses. It will be followed up by two editions in 2012 that showcase great projects as well as economic development professionals and grant writers across the region.

Business creates jobs, and communities create quality of life as well as the right business environment. Rural people are by their very nature industrious and collaborative and used to scarce resources and community amenities as compared to our urban counterparts. Northern Development is more than just programs and funding. Northern Development is also about collaboration, creating and maintaining relationships, and building our economy to make the region a better place for us all to work, live and recreate.



Evan Saugstad
Chair
Northern Development
Initiative Trust



Janine North
Chief Executive Officer
Northern Development
Initiative Trust

About Northern Development

Governance

The Northern Development Initiative Trust is governed by a board of eight local government officials appointed by four Regional Advisory Committees, and five regional business leaders appointed by the Province of British Columbia. The Board is responsible for Northern Development's strategic direction, policy decisions, and effectiveness. The Board meets quarterly in person and by telephone conference as required. Current directors on the Northern Development Board include:

Appointed by Regional Advisors:



Lori Ackerman
Mayor, Fort St John
Northeast Region

Shari Green
Mayor, Prince George
Prince George Region



Ted Armstrong
Director, Cariboo Regional District
Cariboo-Chilcotin/Lillooet Region

Carol Kulesha
Mayor, Queen Charlotte
Northwest Region



Mike Bernier
Mayor, Dawson Creek
Northeast Region

David Pernarowski
Mayor, Terrace
Northwest Region



Mitch Campsall
Mayor, 100 Mile House
Cariboo-Chilcotin/Lillooet Region

Gerry Thiessen
Mayor, Vanderhoof
Prince George Region



Appointed by the Province:



Evan Saugstad
Chair
Provincial Appointee
Northeast Region

Daniel J. Schilds
Provincial Appointee
Northeast Region



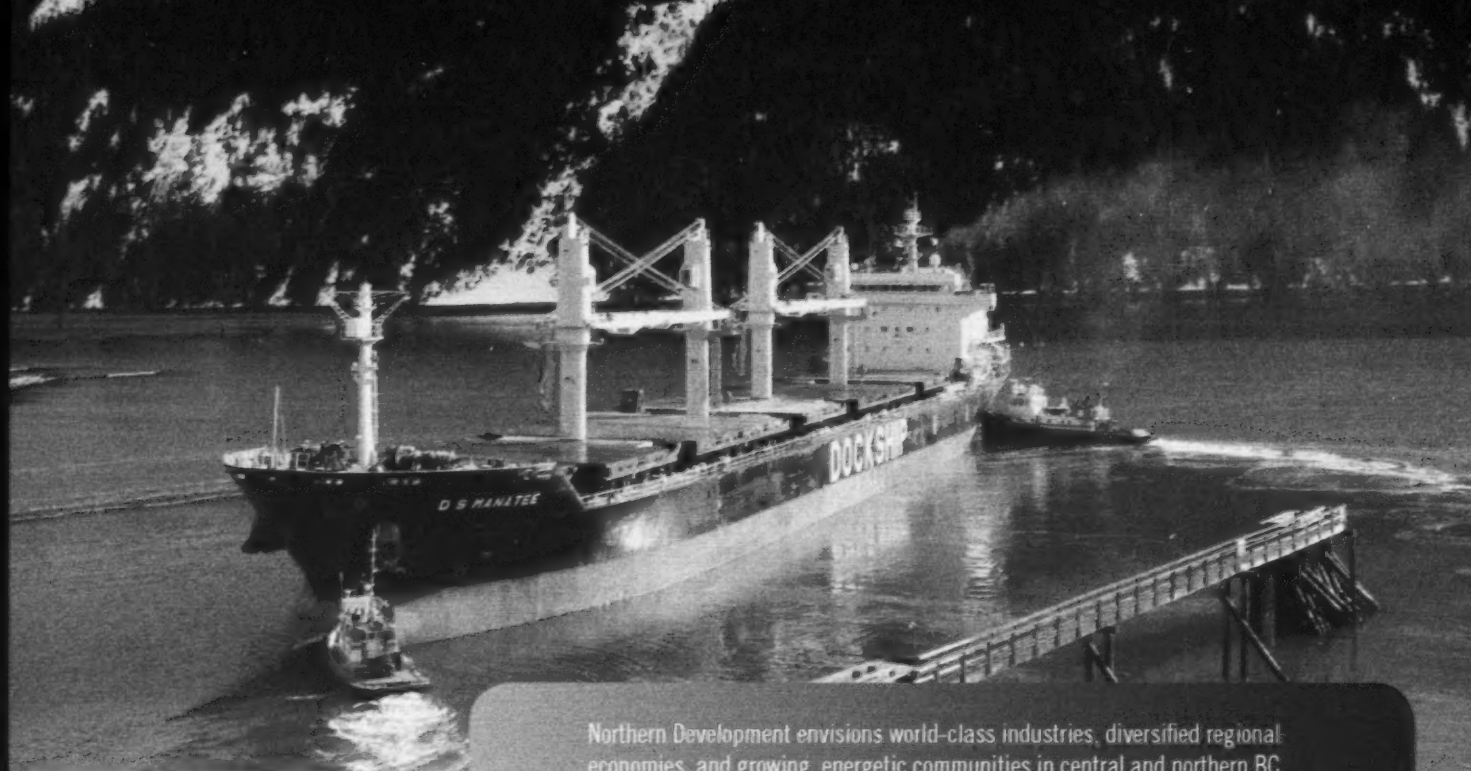
Terry Kuzma
Provincial Appointee
Prince George Region

Gerald Wesley
Provincial Appointee
Northwest Region



Alexander Pietralla
Provincial Appointee
Northwest Region

The Northern Development Board is also advised by the four Regional Advisory Committees (RACs) that each elect two directors to the Board. The four RACs are comprised of sixty-four locally elected leaders from each of the regions. The current list can be found at: <http://northerndevelopment.bc.ca/our-team/regional-advisors>. The Cariboo Chilcotin/Lillooet fund is advised by eighteen elected regional advisors, the Northeast fund by twelve, the Northwest fund by twenty-two, and the Prince George fund by twelve. Regional advisors meet quarterly to review funding applications, policy recommendations, strategic plans, and to discuss regional economic development issues. Local and regional intelligence, a low level of bureaucracy, and a strong focus on engaging communities as partners, enable Northern Development's highly effective funding delivery model.



Northern Development envisions world-class industries, diversified regional economies, and growing, energetic communities in central and northern BC.

Vision, Mission, and Priorities

The Northern Development Initiative Trust is an independent regional economic development corporation focused on stimulating economic diversification and job creation in central and northern British Columbia, a region that is strategically located for global exports, and offers a resource-rich economy with many competitive advantages and incentives for business. The Trust was created through the *Northern Development Initiative Trust Act (2004)*. The corporation supports community economic development initiatives through capacity building, community infrastructure funding and business development.

Northern Development's vision is that northern BC has world-class industries, diversified regional economies and growing, energetic communities. Northern Development's mission is to be a catalyst for northern BC to build a strong and diversified

economy by stimulating economic growth through strategic and leveraged investments.

The five priorities that support Northern Development's vision and mission are:

- Partnerships and Networking
- Business Development
- Economic Development Capacity Building
- Funding Program Delivery
- Demonstrating Best Practices

Northern Development seeks to influence others to invest in economic development, to create a positive investment climate, and influence the types of growth that will be sustainable, diversify local economies, and benefit the people of the North.

Strategic Plan

Northern Development is guided by a strategic plan. This plan outlines the next three years of strategic initiatives, and contains a year by year work plan for each of these years, as well as the results from the previous year's work plan. The strategic plan can be accessed through Northern Development's website, under the "About" Northern Development tab.

The strategic plan also recognizes the five priority areas of:

- Partnerships And Networking
- Business Development
- Economic Development Capacity Building
- Funding Program Delivery
- Demonstrating Best Practices

The strategic plan relates specific activities to one or more of these areas.

In addition to the priority goals and performance indicators contained in the strategic plan, and covered in some detail throughout this report, the following services will be a focus for 2012 in the 2012 to 2014 Strategic Plan: the support of at least ten communities in the implementation of and maintenance of business retention and expansion tools; the launch of a Northern Development website connecting website visitors with successful project proponents, and many success stories; enhancement of the Invest Northwest investment website as a template for three additional regional investment websites, and the delivery of between \$8 and \$11 million of the capital base in grant funding to central and northern BC.

Northern Development's 2012-2014 Strategic Plan includes the delivery of \$8 to \$11 million of grant funding per year to benefit community projects.



Financial Structure

The *Northern Development Initiative Trust Act* defines Northern Development's account structure, designating funds towards four regional development areas: the Cariboo-Chilcotin/Lillooet, Northeast, Northwest, and Prince George regions. These four regional development accounts were seeded by the Provincial government with \$20 million each in 2005. These accounts are held for economic investment in each designated region through Northern Development programs.



A Cross Regional account, for projects that have positive economic impact across regional boundaries, was seeded with \$50 million. A Pine Beetle Recovery account was created with \$30 million, and is designated to create economic diversification in Pine Beetle affected areas. An Operating Endowment account was also created with \$25 million, from which investment income funds operations. This brings the total at inception to \$185 million.

About Northern Development

Funds for each of the accounts are invested in the region through loans, and in financial markets in a conservative, balanced portfolio of both equity and fixed income investments. Accounts are managed to be sustainable. The minimum required balance in the Operating Endowment Account is adjusted to keep pace with inflation. The following chart demonstrates the opening (2005) and current (as of March 31st, 2012) balances of the Northern Development Initiative Trust Funds:

Total Capital	\$185.0M	\$192.3M
Development Accounts	2005	2012
Prince George	\$20.0M	\$24.6M
Cariboo-Chilcotin/Lillooet	\$20.0M	\$19.8M
Northwest	\$20.0M	\$20.4M
Northeast	\$20.0M	\$23.8M
Cross Regional Account	\$50.0M	\$54.3M
Pine Beetle Recovery Account	\$30.0M	\$22.9M
Operating Endowment	\$25.0M	\$26.6M

Approximately \$10 million per annum is notionally committed to grants for economic development projects, equal to the anticipated income of invested capital. Northern Development's operational and administrative budget is funded by the income stream from the Operating Endowment account, while grants and loans are funded by the regional development accounts.

For more information on Northern Development investments and account balances, see the detailed account information beginning on page forty-seven of this report.

Strategic Priority Areas

Northern Development Priorities

Northern Development serves the residents of central and northern British Columbia in building a stronger north. Key stakeholders include communities, First Nations, not-for-profit organizations and business.

Northern Development recognizes five priority areas in its mission and vision, and these priority areas are reflected in the strategic plan and annual reporting, and are meant to ensure that value is created for all stakeholders:

Partnerships and Networking

Partnerships and networking focuses on the need to facilitate funding and develop relationships to increase the flow of funding into the region.

Business Development

Business development focuses on the need to facilitate the growth of manufacturers and suppliers in the region, which enables local economic growth associated with major resource developments and infrastructure projects.

Economic Development

Capacity Building

Economic development capacity building focuses on the role of Northern Development to contribute to the continuous growth and development of economic development skills, abilities and scope in all communities in the Northern Development region.

Funding Program Delivery

Community Infrastructure program delivery focuses on the need for strategic investment into economic development opportunities related to building a stronger north.

Demonstrating Best Practices

Demonstration of best practices in economic development, fund management, financial management and governance enables Northern Development to achieve a high level of success and accountability with a low level of bureaucracy and overhead.

The following sections of this annual report provide further insight into Northern Development's overarching goals and achievements in relation to these strategic priority areas, demonstrate how Northern Development addresses each of these five priority areas to support building a stronger North, and provides a summary of impacts resulting from Northern Development's implementation of these strategic priorities.

Goals and Achievements

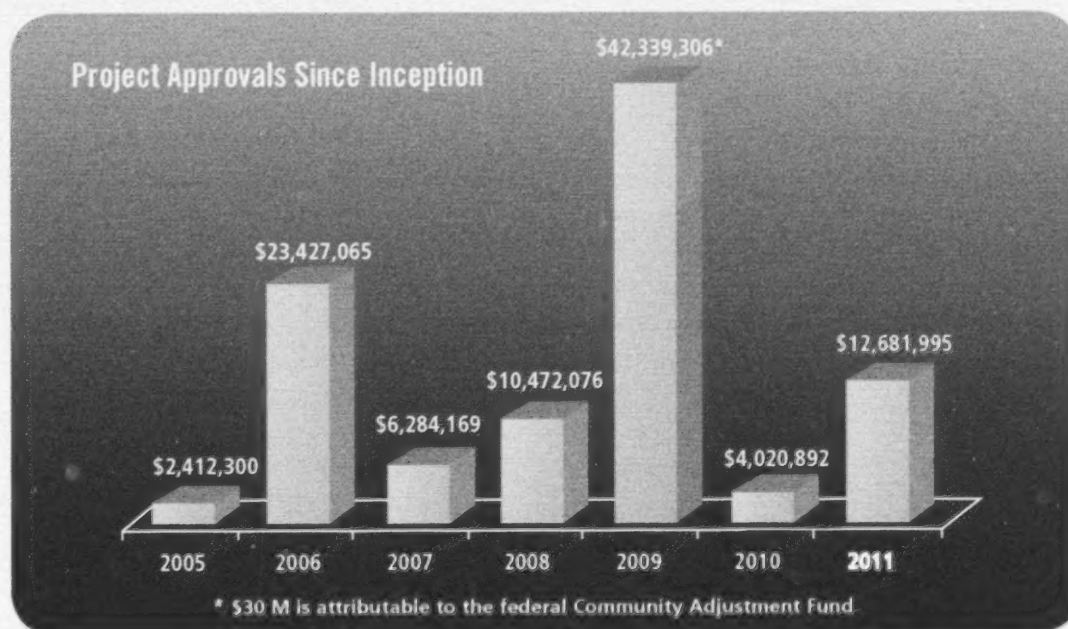
Northern Development Initiative Trust's primary goal is to, directly and through leveraged investment, bring between \$1 and \$2 billion into communities of the region to aid in realizing their economic potential by 2020, and to have a sustainable base of \$185 million to deliver the same results every decade.

Total project funding of \$101.6 million was approved from inception in 2005 through December 31st of 2011. This has been leveraged with other funding to bring a total commitment of \$1.03 billion in project funding to the region over the past six years, meeting the minimum threshold of this goal nine years early. The capital base of Northern Development on December 31st, 2011 was \$170.1 million in investments and \$18.3 million in loans receivable for a total of \$188.4 million. An additional \$15.6 million of Community Adjustment Fund loans receivable will flow through to the Federal government as per a contract whereby Northern Development delivered \$30 million in economic stimulus funding for the Federal government in 2009 and 2010.

Progress is reported annually. The goals and achievements developed with stakeholders in supporting the outcome of bringing up to \$2 billion of investment to the region by 2020 are given below. These goals are discussed in relation to the Northern Development priority areas, and comparative statistics on achievement.

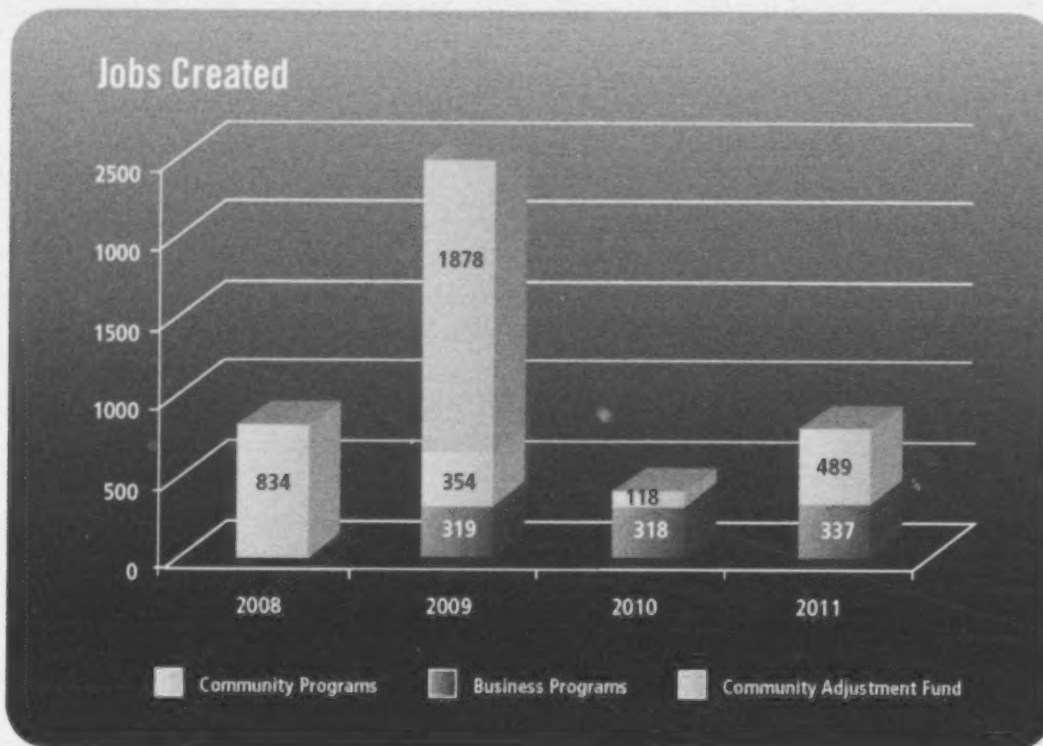
1) Over 2,000 funding partnerships and 1,000 projects by 2020

This goal supports the strategic objectives of the Trust by demonstrating effectiveness in partnerships and networking, while creating positive community impacts through funding program delivery. There are currently 1,565 funders partnering with Northern Development to support 860 projects. A total of 213 partnerships and 222 new projects were added in 2011, surpassing the annualized target of sixty-seven projects and 133 partnerships.



2) Creation of 10,000 jobs by 2020

Job creation is a key funding program metric supporting the strategic objectives of the Trust as an indicator of the effectiveness of funding programs in creating economic benefit. Since inception of the Trust, funded projects have incented the establishment of 5,154 jobs, which is 51.5% of the goal to 2020. In 2011, 826 jobs were reported by proponents between all funding programs, which surpassed the annualized goal of 667 per year. Northern Development does not use multipliers in reporting its jobs, but instead counts each position reported as one position. These jobs reported are based on formal, contracted annual proponent reports on employment, and payroll verification is carried out for a number of programs. The following graph is a breakdown of jobs reported by project proponents to 2011. Jobs created through the Community Adjustment Fund program, business programs and community programs are shown separately:

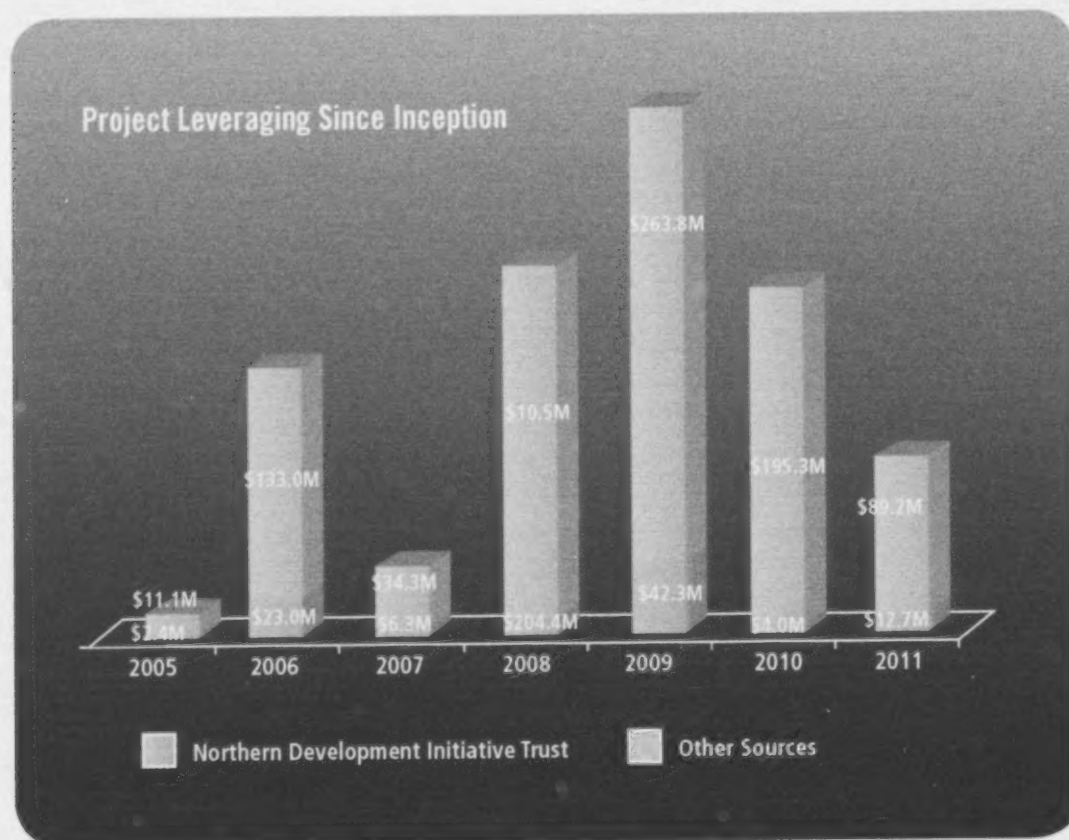


3) 100% of communities engaged and positively impacted

Every community in the Northern Development region had projects that provided positive impacts by 2008, supporting Northern Development's goal of partnership and networking with all stakeholders in the entire Trust area. All of the forty-nine incorporated municipalities, regional districts and regional municipality were engaged in funding program delivery and building economic development capacity in 2011, meeting stakeholder expectations. Now that this goal has been accomplished on a sustainable annual basis a new forward looking goal will be developed for the 2013-2015 Strategic Plan.

4) Leveraging ratio of at least \$2.50 from other sources for every \$1 invested in projects

Leveraging ensures that more funding dollars are attracted to Northern Development communities supporting both funding program delivery and economic development capacity building. The cumulative average since inception of the Trust is \$1.00 from Northern Development to \$9.17 from other sources, which is comparable to the \$1.00 to \$9.38 reported as of December 31st, 2010, and far surpasses the \$1.00 to \$2.50 goal set by the inaugural Board of Directors in 2006. Leveraging is primarily established in project applications as "Other Funding Sources" provided by proponents and verified by Northern Development staff.



5) Annual Return on Investment (ROI) above industry benchmarks

This goal supports the strategic objectives of the Trust by providing sustainable operational and program funds with which to develop best practices, economic development partnerships, invest directly into program delivery, aid in capacity building, and support business development. Returns have averaged 9.5% over the previous three years from 2009 to 2011 on a conservative balanced portfolio. In 2011, combined returns of 4.0% matched benchmark indexes on fixed income investments and outperformed benchmarks on equity investment by 5.26%. More information on investment balances and performance can be found on pages forty-seven and forty-eight of this report.

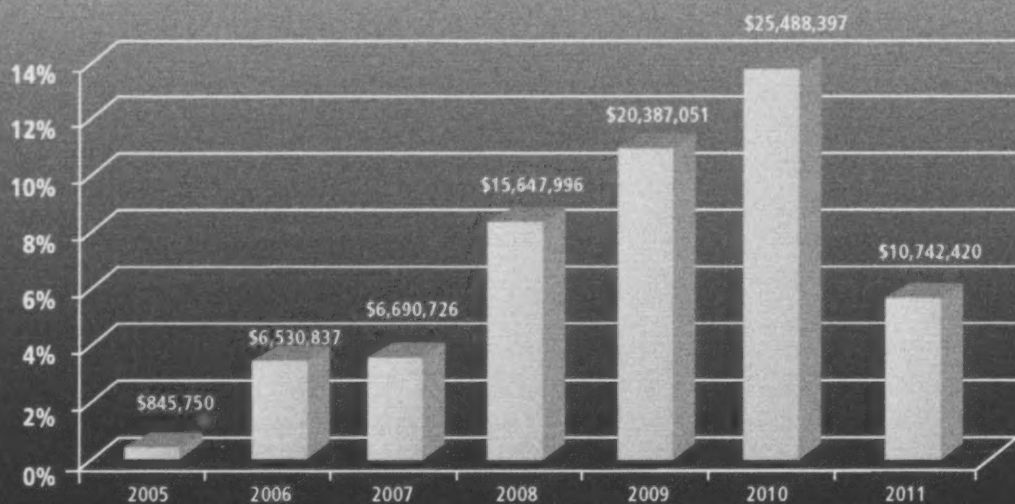


Northern Development's Board of Directors has authorized funding disbursements to the region from 2005 to 2012 that are equal to 46.7% of Northern Development's total original capital base. Over \$86 million has been disbursed to date out of \$104 million approved.

6) Average Return on Investment (ROI) of 5% annualized on cash flow out to projects divided by the starting capital base of the Trust

This goal supports the strategic objectives of the Trust by ensuring that program delivery, capacity building and business development initiatives are maximized in relation to the size of Northern Development's investment portfolio. The current annual average return on the capital investment portfolio is 5.9%, which surpasses the annualized goal of 5.0%. The cumulative return on investment has been 46.7% from January 2005 to December 31, 2011. The annual amount of funding flowing to Northern Development projects is as below:

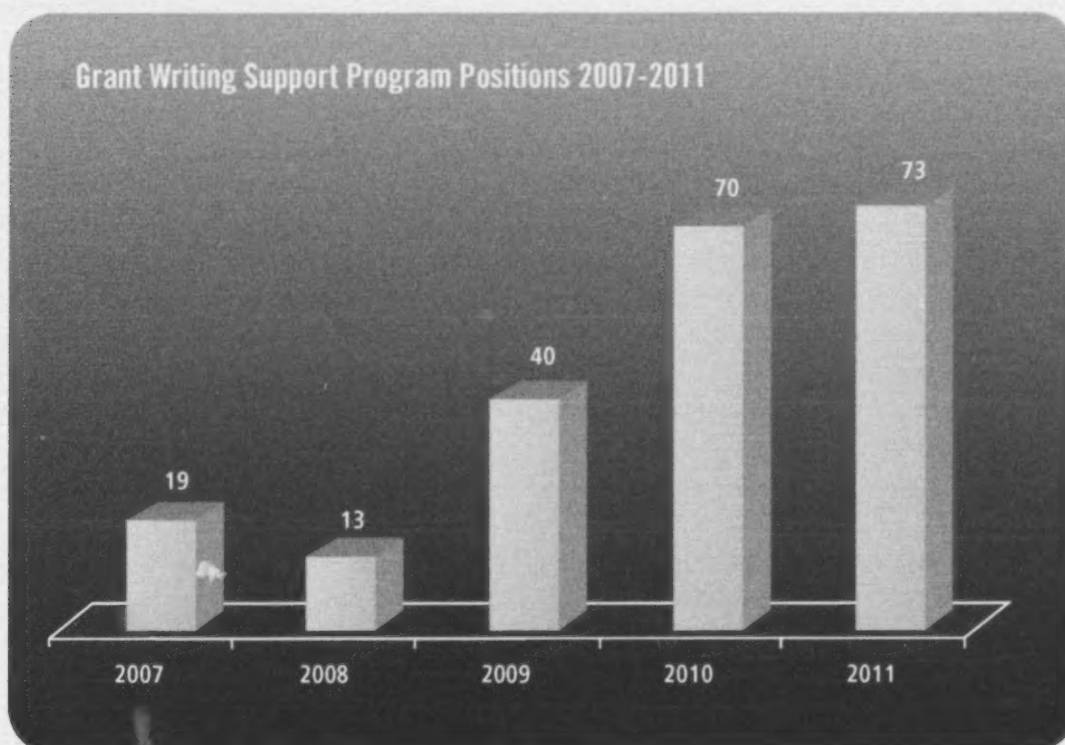
Cash Flow to Capital Base



Strategic Priority Areas

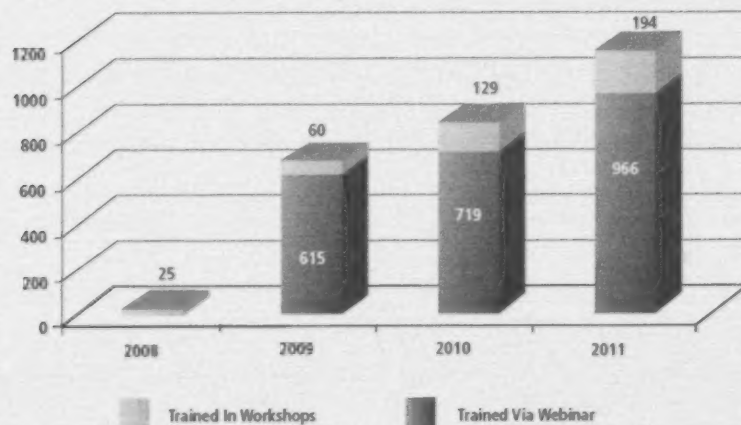
7) To enable the hiring and training of at least 1,000 grant writers, and provide funding support to increase capacity for economic development in forty communities annually

This goal supports the strategic objectives of the Trust through assistance to municipalities, regional districts and First Nations bands to build grant writing capacity and expertise that leads to a direct increase in funding for projects and programs in central and northern BC. Over 2,700 grant writers have been trained to date through workshops and web-based training, and 215 grant writers have been hired by communities from 2007 to 2011 through the Northern Development Grant Writing Support program. In 2011, seventy-three grant writers wrote 1,255 applications for \$72.9 million in funding. This was a tremendous effort which has seen \$14.4 million approved to build infrastructure and economic development capacity in these communities. This substantially surpassed the annual goal of staffing forty grant writer positions and the expectation that they would collectively apply for \$8 million to grow a stronger northern economy.



The following graph shows the annual amount of both online training (webinar views) and in person training (workshop delivery) that has been provided by Northern Development for community grant writers from 2008 to 2011:

Grant Writers Trained 2008-2011



8) To facilitate the establishment of 2,000 hectares for industrial development

Additional industrial land that is developed in central and northern BC will directly contribute to economic development capacity through an increased tax base, jobs, and population growth. Towards this goal, 4,026 hectares of industrial land development have been facilitated in the Prince George region to date. The Invest Northwest BC website, launched in September 2011, promotes available vacant industrial land in northwest communities which can be developed for manufacturing, supplier, logistics and service sector industry to support the major mining and energy development projects that are being developed in the region. Three more project investment web portals for the Northeast, Cariboo and Central Interior regions which will be launched in 2012 will further increase the capacity of communities to attract light and heavy industry to available industrial lands.

9) To streamline the "get to yes" process to less than ninety days for a complete application

Northern Development staff pride themselves on coaching applicants to successfully align with funding program guidelines and available funding so that they can be approved for funding in an expedited time frame. Northern Development consistently challenges staff to implement best practices in funding approval and client services. Depending on the program, proponents receive decisions on applications within two to sixty days. The average time to decision between when an application was submitted and approved was twenty-five days in 2011. This is far less than the goal of ninety days, though it is slightly longer than the 14.3 days reported for 2010. The variance is due to the fourth quarter Regional Advisory Committee meetings in 2011 being delayed because of the timing of municipal elections.



10) To have projects in every mandated area of the legislation

This goal supports the strategic objectives of the Trust by ensuring program delivery reaches a large cross-section of potential project proponents across a vast region to build economic development capacity. Northern Development reached this goal in 2008, and a more detailed analysis of historic and current funding by these legacy areas is provided in the section of this report dedicated to analysis of the legislated investment areas (refer to pages 45 to 48 of this report).

11) To engage the private sector (business/investment dollars) in over 30% of all projects

The growth of manufacturing and supply sector business that support resource extraction is key to job growth and the development of the regional economy. Northern Development has a strategic objective of supporting partnerships and networking between communities and industry, and encouraging manufacturing and supplier sector business development. In 2011, 24.1% of projects (207 of 860 total approved projects) had investment from business. This is comparable to 2010 at 23%, and incorporates forty-two new projects with private sector involvement that were approved in 2011.

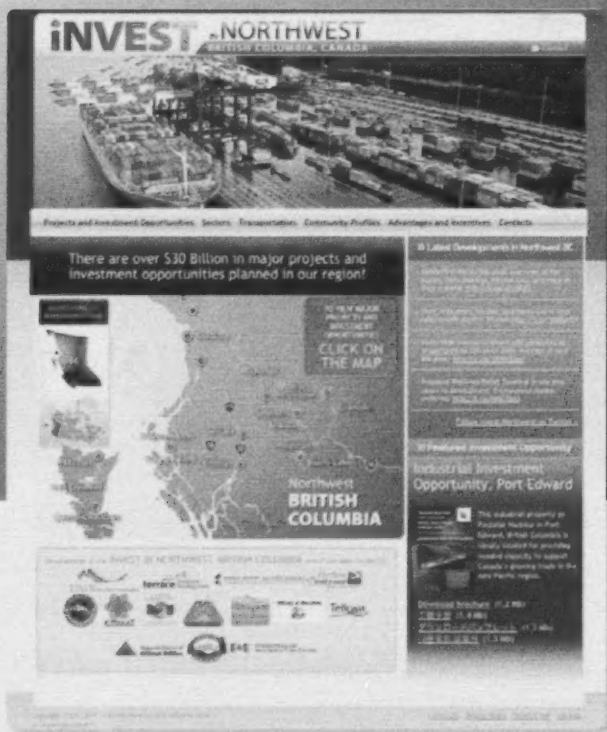
12) To provide exceptional client service

Northern Development staff are passionate about delivering the highest standard of client service and ensuring that clients have every opportunity to be successful with their funding applications. Client surveys are key to continuously improving funding program delivery and best practices. An annual client satisfaction survey in 2010 resulted in a 98% overall approval rating, and in 2011 provided a 99% overall approval rating. Both of these results surpass the goal of achieving a 90% overall satisfaction rating. In 2012 there will be a major expansion of the survey scope through the launch of the new Northern Development website, and the provision for continuous online feedback.

Partnerships and Networking

Northern Development Partners With Northwest BC Communities to Attract New Investment

An innovative new web portal that was launched by Northern Development in September 2010, showcases more than \$30 billion of major projects creating an economic and employment boom in northwest BC. Invest Northwest BC www.investnorthwestbc.ca is a partnership between the communities of northwest BC and Northern Development, and is focused on attracting service and supply businesses to northwest communities that can profit from procurement and supply chain opportunities with major projects. The online resource provides up-to-the-minute information on dozens of major projects underway and planned for the region, as well as direct connection to community and business leaders, and site location data.



"This is a vital tool to promote the region. It is the only online resource that can put into perspective the development that is happening in northwest British Columbia – it shows how we truly are entering a long-term economic boom."

David Pernarowski
Mayor of Terrace BC

Communities throughout the Cariboo, Central and Northeast British Columbia are focused on working with Northern Development to create investment attraction websites for their regions over the course of 2012.

These projects are exciting collaborations between communities working together to showcase assets and investment opportunities to attract the interest of suppliers and skilled workers around the world to move to the region.

Strategic Priority Areas

Building Capacity in the Region to Engage With Investors

Stable annual funding has been provided for every community and regional district's economic development program since 2009. Northern Development staff work directly with Economic Development Officers and Chief Administrative Officers throughout central and northern British Columbia to support improvement in the quality and timeliness of communities' responses to enquiries by private sector companies looking to locate new businesses in the region.

As part of this multi-year developmental initiative, Northern Development has partnered with the majority of local governments throughout the region on the research and publication of Investment-Ready Community Profiles. These documents provide crucial information about community strategic advantages, workforce availability, taxation, and available industrial infrastructure.

During 2011, the communities that have partnered with Northern Development to produce community profiles continued to work on investment readiness projects. Northern Development staff worked with communities to identify seven industrial properties within the region where new industry can locate and increase the local tax and employment base. These industrial assets are now promoted in multiple languages including English, Mandarin, Japanese, and Korean to international business owners.



The work produced under these investment readiness projects is aligned with the Ministry of Jobs, Tourism, and Innovation's formats for promoting communities and investment opportunities in British Columbia. With these new marketing products, communities in central and northern BC are now better positioned to participate in marketing initiatives led by the Province of BC.

'Building a Stronger North' Report is Distributed to 120,000 Regional Residents and Businesses

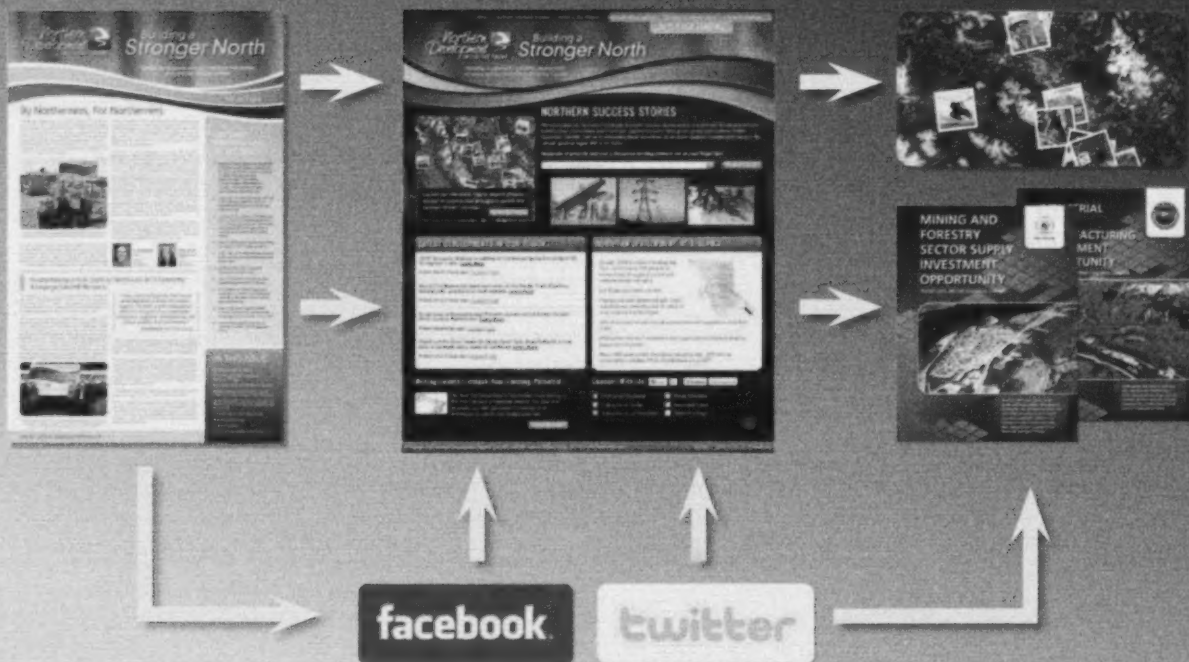
In October 2011, Northern Development launched its first ever biannual report to the region called 'Building a Stronger North'. It is distributed directly to residents and businesses throughout central and northern British Columbia. After six years of project investments and positive impacts in communities there are hundreds of compelling success stories that can be shared with residents throughout the region through the website and regional report.

The strategic goal of the 'Building a Stronger North' report to the region is to raise public awareness and engagement in how communities, non-profits, First Nations, and business are building our economy and how to access funding and capacity building support that is available from Northern Development Initiative Trust.

'Building a Stronger North' is issued to over 120,000 regional residents and businesses throughout the region twice per year. The report profiles the people and companies who are building a stronger regional economy. An Economic Development Officer is profiled and interviewed to raise awareness of the important work that economic developers do for their communities, and a Grant Writer is featured with an interview about the non-profit organizations and community projects they are supporting in the region. In addition to these interviews, businesses, non-profits, First Nations, and communities are all featured with project profiles and interviews.

Future issues of the publication in 2012 will link project stories to multimedia-rich online project profiles featured on the new Northern Development website. By connecting the 'Building a Stronger North' report with the new website, residents and local businesses will be able to learn more about projects and directly connect with a key contact for every project proponent. In addition, Northern Development will be encouraging residents to stay connected with new social media pages on Facebook and Twitter where news updates, project success stories, and events throughout the region are published on a frequent basis.





Increasing Networking and Peer-To-Peer Mentoring

In 2010, Northern Development began work on a multi-year project engaging with every proponent that has received financial support for infrastructure, marketing, business expansion, or feasibility projects in order to gauge customer satisfaction and allow clients to connect with each other about successful projects rather than via Northern Development staff.

By October of 2011, every proponent had provided Northern Development with a story about their project that could be publicly featured on a new Northern Development website. This will enable better awareness of project successes throughout the region, networking and peer-to-peer mentoring.

The new Northern Development website launching in April 2012 will:

- Engage Northern Development's key stakeholders and the public in a deeper and more connected way
- Build relationships, mentoring, and networking throughout the region
- Solicit feedback and attain insights about Northern Development's programs, historical project investments, and ongoing community needs
- Promote central and northern BC communities as great places to live, work, and invest

Further Partnerships

Northern Development partnered with the New Relationship Trust to expand the Grant Writing Support Program to First Nations communities. In 2011, an additional \$250,000 was provided by the New Relationship Trust to enable thirty-three additional grant writing positions for First Nations.

During the past year, Northern Development also partnered with the BC Innovation Council to offer the Young Innovator Scholarship Program to support Grade 11 and 12 students in pursuit of post-secondary education and future careers in science, technology and business entrepreneurship in British Columbia. The intent of the Young Innovator Scholarship Program is to encourage students to continue their education in the province and pursue careers in British Columbia's advanced technology industries.

Northern Development participates on the review and adjudication committee for Enterprising Non-Profits grant funding decisions. Enterprising Non-Profits receives annual funding from Northern Development and is focused on supporting and developing social enterprise in British Columbia – non-profit organizations that undertake entrepreneurial initiatives to support their social mandate and financially sustain their operations.



The Haida Gwaii Higher Education Society was one of three finalists at the Social Enterprise Dragon's Den contest. The contest is run by the Enterprising Non-Profit Society, a collaborative program that provides resources, grants and technical assistance to non-profit organizations to support their social enterprises. Northern Development has contributed over \$200,000 to the ENP program since 2008, and a further \$200,000 is committed over the next three years.





Northern Development program investments aided in the creation of new jobs at the River West Forest Products sawmill in Hanceville, BC in 2011.

Business Development

Northern Development acts as a catalyst to stimulate business development throughout central and northern BC, which creates wealth through employment and increased revenues, and contributes to a stronger north. Northern Development provides direct support to manufacturers, innovators, processors, and their suppliers to grow their businesses, implement world-class business practices and become more competitive in the global market.

Northern Development currently has two established programs aimed at supporting business in an effort to build a stronger north:

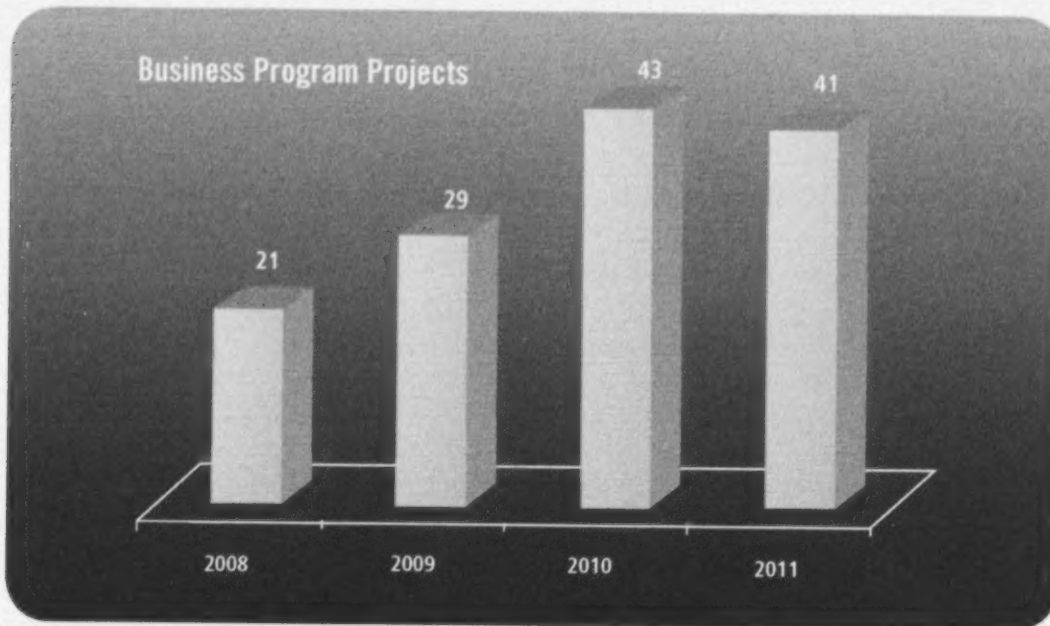
Northern Industry Expansion Program

The Northern Industry Expansion Program is offered in partnership with the Business Development Bank of Canada (BDC). Northern Development can guarantee up to 25% of a loan provided by BDC, significantly increasing the amount of capital available to businesses wishing to pursue growth projects in central and northern BC. The program is available for all manufacturers, resource industries, and first line suppliers.

The Competitiveness Consulting Rebate Program

The Competitiveness Consulting Rebate Program was developed in partnership with the Business Development Bank of Canada. This program provides the manufacturing and resource sector supply chain with 50% rebates for management consulting expertise to expand operations and improve profitability. This is a customized solution to suit unique business requirements and provides access to regional and national consultants with a verified track record of expertise. In 2011, the program was expanded to allow businesses direct access to the program through Northern Development if the business has identified a qualified consultant or needs direct help to identify a qualified consultant.

To date, business programs have produced 974 jobs, and incented \$184.3 million of capital investment. 337 of these jobs and \$100.4 million of capital investment were created in 2011. Northern Development commitments through 134 business program projects total \$10.6 million to date. A total of forty-one projects worth \$3.1 million were approved in 2011. Similar performance is expected in 2012.



Northern Development hosted Innovation Bootcamps in 2011 as a formal business support initiative. The Bootcamps provided information to business, aiding in navigating product development and process innovation. Solid partnerships developed with provincial organizations, including BC Innovation Council, BC Institute of Technology, National Research Council and the Canadian Innovation Commercialization Program, enabled the delivery of this program content to more than sixty participants in Fort St. John, Terrace and Prince George.

Other planned business support initiatives for 2012 include the Manufacturers Executive Council, Innovative Start-Ups Workshops and Contractor Bootcamps. Business support initiatives are coordinated with many partners and at the request of business.

The following project reviews are typical of Northern Development consulting projects, and result from investments through Northern Development's business programs in 2011:



TI'Oh Forest Products

TI'Oh Forest Products is a partnership between Nak'azdli First Nation and Apollo Forest Products in Fort St. James, BC. Since 1995, TI'Oh Forest Products has been producing high-quality finger joint stud lumber using the trim blocks from primary mills. The mill provides employment for about forty workers, 90% of which are local First Nations.

With operations expanding and more opportunities on the horizon, TI'Oh management recognized the need for training at the supervisory level to gain proficiency in coaching and instructing production staff. "Helping staff to master tasks, improve efficiency and production, as well as understand their contribution to the overall operation, is what made TI'Oh seek out training with Northern Development's financial support" stated Chief Financial Officer, Laura Chernowski.

Delivered by FP Innovations, 'Training within Industry' is a program that is applicable in many industries but is tailored to forestry sector companies. TI'Oh Forest Products sought out the support of Northern Development through the Competitiveness Consulting Rebate Program to help with the training costs.

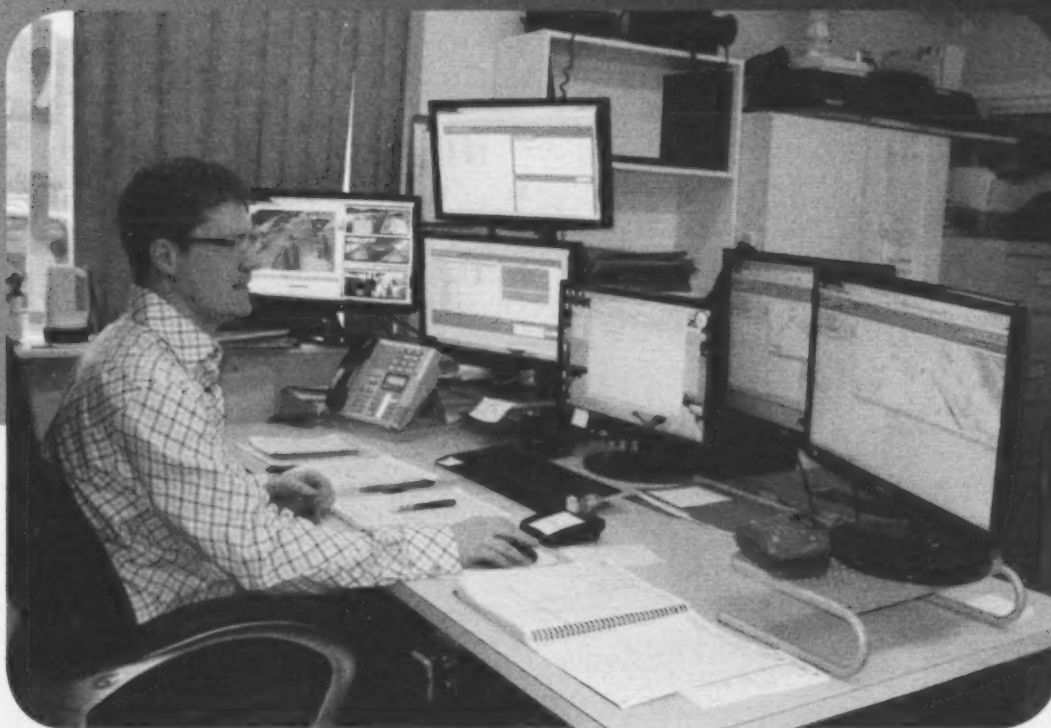
"Training is often the most difficult cost to justify but one that will pay back huge dividends. With the excellent training provided by FP Innovations and the tangible support from Northern Development, we are anticipating heightened employee engagement and upwards of 12% efficiency gains." Laura Chernowski, Chief Financial Officer, TI'Oh Forest Products.

Excel Transportation Inc.

Excel Transportation Inc. (Excel) is a trucking and transportation company based in Prince George, BC. For more than forty years, Excel has been providing logistic services to their resource based clients. The timely and efficient movement of bulk wood fibre, chips, sawdust, hog fuel and trim blocks has been Excel's specialty service and foundation for growth.

Excel's focus on continuous improvement and innovation led them to seek productivity and operational improvements. Recognizing the need for heightened accuracy in fuel consumption, downtime, data management and reporting, Excel engaged Shaw Tracking to implement a solution. Northern Development contributed to the implementation of the tracking system for Excel through the Competitiveness Consulting Rebate Program.

Annie Horning, Chief Financial Officer, Excel Transportation, states "New systems are only effective if the implementation process is carefully planned and everyone in the organization can see the benefit and learns to adapt. Northern Development's program provided us with the additional resources that were key to our implementation success. With this new system, we are better positioned to optimize our resources and serve our clients efficiently."



Strategic Priority Areas

Capacity Building

Northern Development supports communities in their economic development activities through capacity building funding programs, and encouraging collaborative projects with a regional approach. To date, Northern Development has committed \$8.6 million to 449 capacity building projects worth over \$25.6 million. Capacity building programs include the Economic Development Capacity Building Program, Grant Writing Support Program, Marketing Initiatives Program, Industry Attraction Program, Community Foundations Matching Grants Program, and Governance Essentials Scholarship Program, as well as the Northern Development Internship Program.



Northern Development Internship Program

The Northern Development Internship Program has supported communities with an internship program which recruits recent university graduates who gain experience in economic development, community planning and marketing. Interns learn and practice economic development skills that allow them to be successfully recruited into careers with communities in central and northern BC. Interns have contributed to community capacity by carrying out business retention and expansion projects, creating community investment profiles, and developing project success stories found on the Northern Development website. Internships are supported in part by the Federal Career Focus program.



In 2011, four interns were recruited, trained and started exciting careers. Melissa Barcellos is the Marketing Coordinator for the City of Williams Lake, Derek de Candole is the Economic Development Officer for the District of Logan Lake, Robyn Carle is the Economic Development Officer for the Village of New Hazelton, and Kaleena Ross is the Business Retention and Expansion Program Coordinator for the North Peace Economic Development Commission.

The 2011 placements doubled Northern Development's goal of training and placement of two interns per year. In 2012, four new interns will continue to play a key role in building the region's economic development capacity.

Community Foundations Matching Grants Program

The objective of the Community Foundations Matching Grants Program is to assist municipalities and regional district electoral areas in Northern Development's region to establish and grow a community foundation endowment that supports local social, cultural, and environmental needs, and empowers local decision making. These investments will exist in perpetuity, and enable local decision making within the community foundation framework to meet local needs.

Five Community Foundation Matching Grants projects were approved in 2011, with \$250,000 towards \$500,000 of community foundation endowment funds. This creates another source of long-term funding to maintain local wealth within the community and create positive economic and social outcomes.

Since Northern Development's inception, \$1.1 million has been invested into twenty-four communities and rural areas with a combined community fund value of \$2.4 million. These funds have a combined value of over \$3.3 million today. Further, forty-four projects totaling \$96,872 were funded by community foundations that did not exist prior to partnership with Northern Development.



"Northern Development's generous Community Foundations Matching Grant Program not only sees communities granting income earned back into worthwhile projects in their communities but also provides an opportunity for their residents to make a lasting charitable donation to enhance their community forever. The effect this program has had on communities in the North has been unparalleled within the charitable giving sector."

Judy Neiser, Executive Director,
Prince George Community Foundation

Economic Development Capacity Building Program

The Economic Development Capacity Building Program is annual funding of up to \$35,000 to support staff, training and programs in municipalities and regional districts. This incremental funding goes directly to in-house economic development activity, and to promote collaborative projects between communities or economic development organizations and any other partners including business. A total of \$1.5 million was committed in 2011 for these community initiatives, leveraging a further \$1.7 million. Funding for the Economic Development Capacity Building Program since inception has totalled \$5.4 million supporting 166 projects worth over \$18.4 million.

Marketing Initiatives Program

The Marketing Initiatives Program provides organizations with matching funding towards the marketing of their local assets, products and capabilities. Up to \$20,000 can be provided to marketing initiatives which will directly attract new investment and increase revenues to the region from outside of central and northern BC. In 2011, seven projects were approved for \$98,000 in grant funding. Since inception of the Trust, twenty grants totaling \$320,000 have supported projects with \$1.9 million of spending in the region.



The Xat'sull Heritage Village received \$3,457 toward a \$12,100 Marketing Initiatives project in 2011. This follows a \$178,000 Northern Development contribution in 2010, through the Community Adjustment Fund, towards \$228,000 investment in site infrastructure 're-creating' an encampment and interpretive centre at the historical village site.

Grant Writing Support Program

The Grant Writing Support Program supports fifty-four communities each year with a \$7,500 grant to hire a grant writer to increase the grant monies flowing into central and northern BC. In addition, there is a goal to train 1,000 individuals in grant writing across the province by 2020. Funding and training adds additional capacity to respond to community priorities and non-profit requests, and dramatically increases the success communities have in applying for grants from many sources. A partnership with the New Relationship Trust has increased program capacity from fifty-four seats to eighty-four seats. In 2011 seventy-three grant writers applied to funders for a total of over \$70 million, and over \$13 million of that total has been approved so far. Since inception Northern Development has committed \$1.7 million towards 231 grant writing positions, creating sixty full time equivalent jobs for grant writers.



Unlock Your Funding Potential

Mastering the Seven Keys to Successful Grant Writing

A workshop developed by
Brodie Guy and Dean McKinley

Northern Development
FUNDING PARTNER

Brodie Guy, Northern Development Director of Market Development, and Dean McKinley, Director, Economic Development delivered grant writing workshops throughout the region. An online webinar is also available at www.northerndevelopment.bc.ca

Strategic Priority Areas

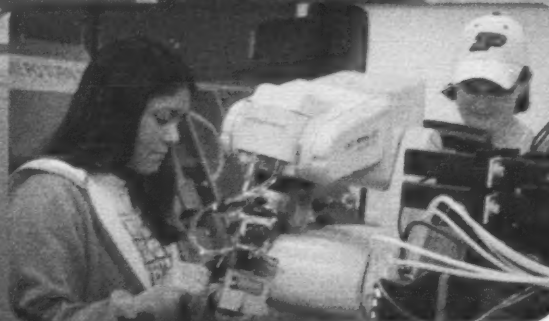
Other Capacity Building Initiatives

Other capacity building initiatives include the Governance Essentials Scholarships program, whereby regional non-profit directors can receive funding for governance training, as well as annual student bursary awards for the five post-secondary institutions with campuses in central and northern BC. Northern Development staff also collaborate with northern communities, InvestBC and Invest Canada Community Initiatives (Department of Foreign Affairs and International Trade) to develop marketing materials for distribution to domestic and foreign investors.



"As a permanent resident of Prince George, I care deeply about the future of small business both in this city and in Northern BC in general. In the future, I intend to complete my Bachelor of Commerce degree at UNBC, with a career goal of helping to grow small businesses in our area. I would not be able to achieve my goals without Northern Development."

Andrew Steele, 2011 Bursary Recipient,
College of New Caledonia

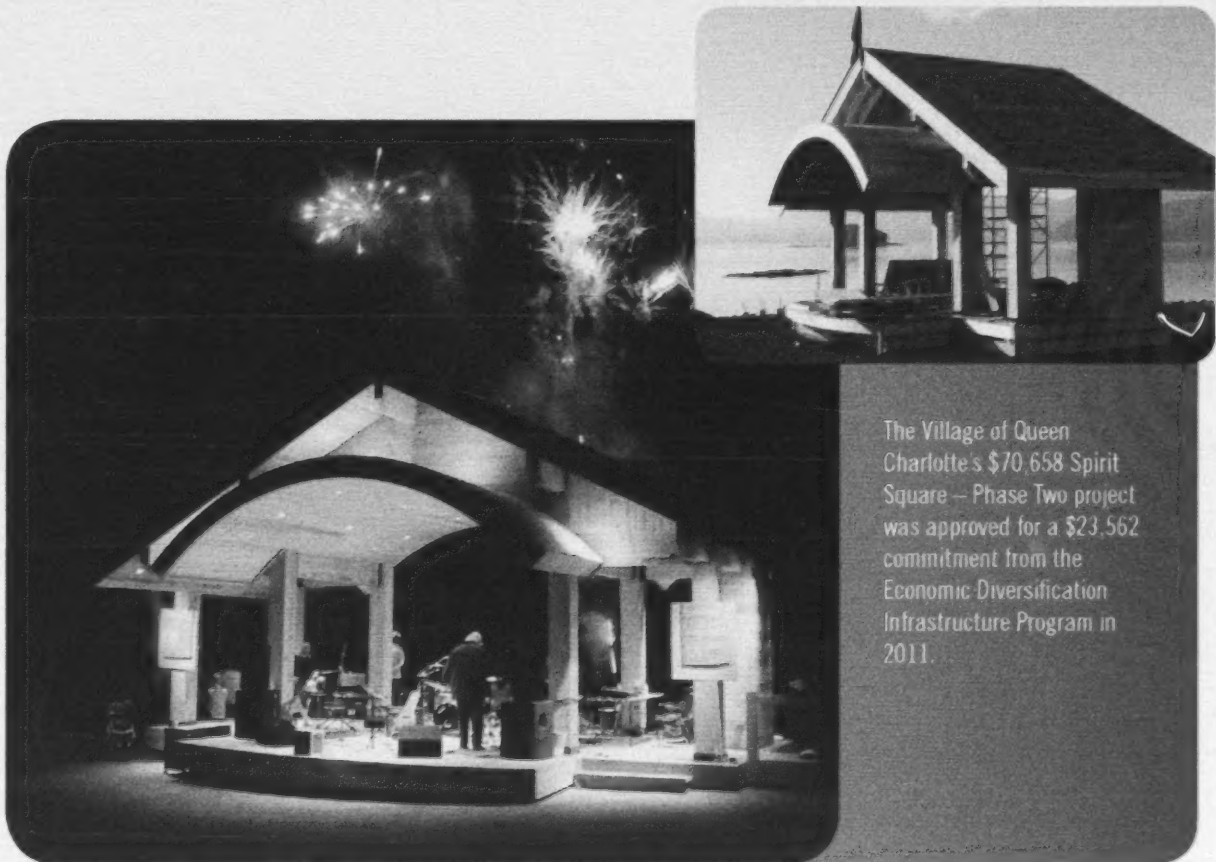


Funding Program Delivery

Northern Development delivers a total of fourteen funding programs. Northern Development funding programs support capacity building and business development across the region, as well the development of community infrastructure. Community infrastructure programs are the primary focus of this funding program delivery priority area.

To date, Northern Development has committed \$52.8 million to 248 community infrastructure projects worth over \$737 million. Community infrastructure building programs include the Economic Diversification Infrastructure Program, Community Revitalization Program, Feasibility Studies Program, and the Community Halls and Recreation Facilities Program.

During 2011, staff worked very closely with local governments, First Nations, non-profits, and businesses who wished to access Northern Development funding throughout the region. Staff continue to be focused on providing a high level of client service, coaching applicants to success, networking with other funding agencies to move projects forward, and conducting due diligence prior to Board recommendations on all projects. Improving community infrastructure improves quality of life for residents of central and northern BC, and is key to attracting and retaining the families who live and work in the region, building BC's economy.



The Village of Queen Charlotte's \$70,658 Spirit Square – Phase Two project was approved for a \$23,562 commitment from the Economic Diversification Infrastructure Program in 2011.

Economic Diversification Infrastructure Program

The Economic Diversification Infrastructure Program supports the construction of infrastructure throughout the region that directly diversifies the economy. This program directly creates new jobs and increases revenues in the Trust region, and supports the diversification of local and regional economies through infrastructure and capital investment. The program is accessible to organizations throughout central and northern BC, particularly those located in small communities and rural areas. In 2011, eleven projects were approved for \$6.5 million in funding.

Since inception, \$46.6 million has been committed to 103 projects with a total project value of \$281.0 million through the Economic Diversification Infrastructure Program. Economic Diversification Infrastructure projects to date have resulted in revenues of \$27.4 million, and the creation of 295 permanent jobs as reported by project proponents.

Feasibility Studies Program

The Feasibility Studies Program lays the groundwork for major infrastructure projects and capital investment in the region to increase revenues generated from outside central and northern BC. Feasibility studies identify the need and business case for future infrastructure projects. Since inception, \$1.5 million has been committed to forty-nine projects with a total project value of over \$418.8 million. This has resulted in new revenues of \$2.7 million, investment into capital assets of about \$10.6 million, and 118 jobs (most of which have been related to construction activities). In 2011, four new Feasibility Studies projects were approved for \$53,500 in Northern Development funding, and with a total project value of \$151,757.



The City of Williams Lake was approved for \$20,000 through Northern Development's Feasibility Studies Program towards a \$90,000 project examining strategic parks and trails, leading to the development and marketing of mountain biking infrastructure in Williams Lake and throughout the Cariboo.

Community Halls and Recreation Facilities Program

The Community Halls and Recreation Facilities Program improves the sustainability and event hosting capacity of facilities that generate revenues for non-profits and the tourism sector. This, in turn, creates revenues and improves the quality of life for local residents. This program is also accessible to all rural areas that would not usually have an opportunity to develop larger economic development infrastructure projects. Since inception, \$4.7 million has been committed to ninety-six projects with a total project value of \$37.4 million. In 2011, twenty projects were approved for \$444,000 in funding. To date, incremental revenues of \$3.3 million have been created by the Community Halls and Recreation Facilities program, and over 100 full and part-time jobs were reported in 2011.

Northern Development committed \$30,000 in 2011 to the Williams Lake Indian Band for their \$91,007 Harbour Revitalization project.



Strategic Priority Areas



Community Revitalization Program

In 2011, Northern Development launched a new and aggressive incentive program aimed at encouraging private developers to invest in revitalizing northern communities. The program allows communities to provide financial benefits through a Revitalization Tax Exemption Program, whereby property taxes estimated over a ten year period are made available to a property developer at the occupancy stage of their development. Future property taxes then flow back to Northern Development from the community. The Community Revitalization Program will encourage new market and non-market housing, commercial and mixed use development, 'green' development, and façade improvements by providing developers with repayable funding and a stronger equity contribution to development.

Community Revitalization Program funding allows a community to incent developments within a designated area to promote new investment and a vibrant community core.



Demonstrating Best Practices

Northern Development demonstrates best practices in client services, financial management, fund management, reporting and governance. "Best Practices" is a qualitative priority area, in which Northern Development seeks continuous improvement to enhance business systems which increase the effectiveness and efficiency of the organization. Best Practices mitigate risk and maximize internal capacities. 2011 saw the implementation of suggestions made by auditors and a Five Year Review Committee, enterprise resource software improvements, updates to investment policy, internal process documentation, and enhanced reporting to stakeholders.

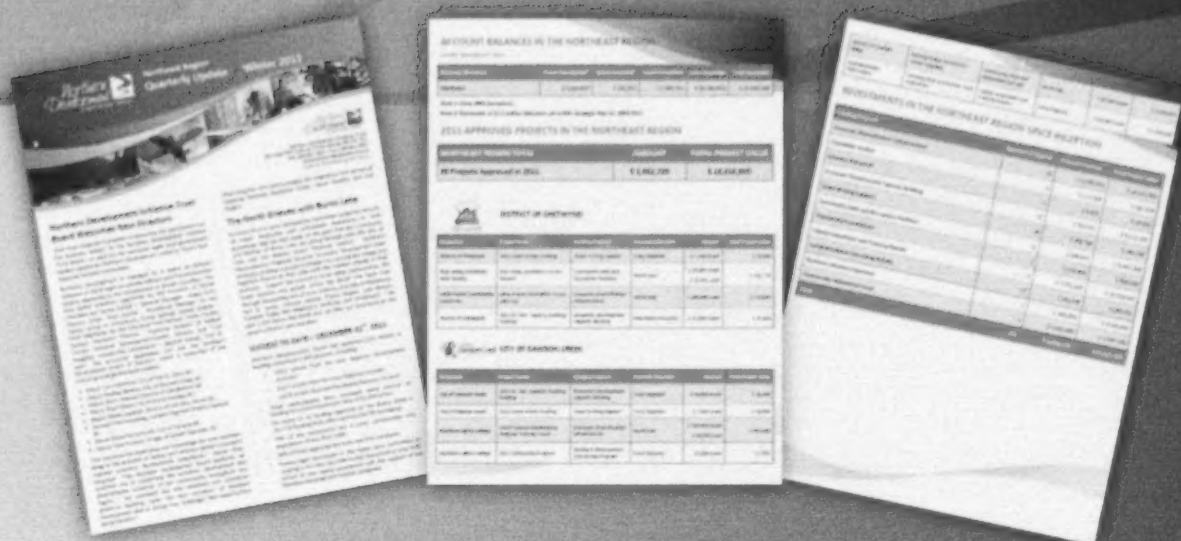
Client Satisfaction Surveys and Stakeholder Communication

Client satisfaction surveys are administered each year to solicit feedback on Northern Development programs and initiatives. 2011 surveys were provided to all project proponents who received a final payment in 2011. Completed surveys were returned by fifty-six project proponents. The survey was, as with prior years, administered in the three broad categories of application intake, contracts and disbursements, and overall experience. Northern Development received an overall approval rating of 99% in 2011, up from 98% in 2010, and much higher than the annual target of 90%.

In an effort to increase stakeholder involvement through feedback mechanisms, surveys will be available online to all visitors of the Northern Development website by late 2012. It is hoped that these online surveys, combined with Twitter, Facebook, and a greater public presence in general, will promote and encourage feedback from a wider section of stakeholders than possible in prior years. The 'Building a Stronger North' report to the region newsletter, a new website, Facebook and Twitter, will all serve to increase the information available to stakeholders.

Public Accountability and Reporting

Northern Development adopted a new standard for stakeholder reporting in 2011. Quarterly reports are made available to stakeholders and provide regional and nominal (individual community allocation) account balances, 'year to date' project approvals, 'total to date' program commitments by region, and a summary of combined investments from all accounts. Stakeholder feedback will continue to compel improvements in public accountability and reporting.



Northern Development handled audit requests from the Province of BC's Office of the Auditor General, the Comptroller General, and a Federal program audit conducted by Collins Barrow LLP in 2011. These followed the Dean Mason and Company LLP Federal program audit in late 2010, and were carried out in conjunction with the Five Year Legislative Review in 2011. These audits are in addition to the annual audit of financial statements conducted by Deloitte and Touche in January of 2011 and by Chan Foucher LeFebvre in January of 2012 (beginning on page fifty-three of this report). Results on all of these audits have been exemplary, strengthening Northern Development's relationship and reputation for excellence in funding delivery with stakeholders, the Federal government and the Provincial government.

The *Northern Development Initiative Trust Act* requires the Board of Directors to appoint an independent committee to review the Act and evaluate how it is functioning at five year intervals. The first Five Year Legislative Review Committee was formed in 2011. The Committee made several recommended updates to the legislation, including the expansion of investment sectors to include intellectual property and applied research, expansion of Regional Advisory Committee representation to include First Nations, and more timely board appointments by the Provincial Board Resourcing Office. Northern Development awaits the government review of the *Northern Development Initiative Trust Act* in light of these recommendations.

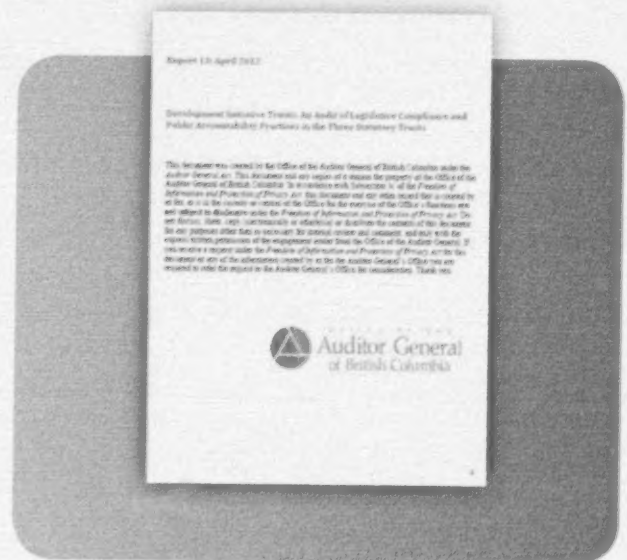
The Office of the Auditor General audit also resulted in some key recommendations, designed to enhance reports that already "reflect good practices for public accountability reporting." The key recommendations were to compare results to risk and capacity, and to provide both year over year and 'actual to goal' comparisons as much as possible. An audit report that combines results from Northern Development with further audits of the Island Coastal Economic Trust and Southern Interior Development Initiative Trust will be released by the Office of the Auditor General in April or May of 2012.

The 'continuous improvement' recommendations to the statutory trusts are to:

- i. Include discussion in their public accountability reports about how they are complying with legislated requirements.
- ii. Incorporate BC Reporting Principles into their annual reports.
- iii. Develop and report annual goals, as well as developing key performance indicators that can be used to monitor progress in achieving those goals.

While Northern Development is implementing these recommendations, it is worth noting that these are suggestions by the Office of the Auditor General and not requirements of *Northern Development Initiative Trust Act* legislation, nor are these suggestions binding on the Trust. As recommended by the Office of the Auditor General, Northern Development has begun the implementation of BC Reporting Principles.

Northern Development further conducted its internal audit, on a test basis, of all projects receiving a final payment in 2011. Due diligence is conducted to the highest standards on project applications and on financial and performance reporting. Internal audits are carried out in an effort to see where processes could be improved based on actual results. Continuous improvement in 2011 included development of site visit and progress monitoring forms to aid in the completeness of information. The Marketing Initiatives, Feasibility Studies and Industry Attraction Program contracts were also simplified for clients of these three grant programs.



Robust Information Systems

Catalyst is an enterprise-level grants management software system that has been continuously developed by Northern Development Initiative Trust since 2006 to enable Northern Development to efficiently and accurately manage funding applications, due diligence, contributions, and outcome reporting to the public and senior levels of government.

Catalyst has been crucial to enabling Northern Development to meet exponential growth in program demand and funding outflow over the first six years of the organization's operations. The software system allows staff to responsively and responsibly manage a high volume of funding

requests and disbursements with significant time available to focus on applicant coaching, community consultation, and adding value to regional economic development. 2011 improvements to this software saw an upgrade in security and audit capabilities, the addition of several new financial reports, and the creation of a new program module.



Strategic Priority Areas

Investment Practices

Northern Development continues to improve upon its investment model. Northern Development initiated a third party investment structure review in late 2010, conducted by AON Hewitt. This resulted in a slight adjustment to Northern Development's investment approach, targeting the best managers in each asset class versus one manager for all types of assets. Northern Development's Board of Directors evaluated and interviewed new managers based on third party analysis in early 2011, and subsequently switched investment managers and incorporated the improved model in April of 2011. The most current Statement of Investment Policy and Procedures, governing market investments and guiding the investment managers, is available for download on Northern Development's website. Investment balances are further explored on pages forty-seven and forty-eight of this report.



Continuous Improvement

Further continuous improvement initiatives conducted in 2011 have facilitated board governance education, updates to the Finance Operations Manual to promote more efficient operations, improvements in human resources processes to promote a healthy working environment, and filing system improvements more compatible with Freedom of Information legislation. Northern Development will continue to work with stakeholders to enhance products and services over all facets of the organization.

Northern Development's commitment to continuous improvement and ongoing refinement of best practices mitigates risk through improvement of robust systems that ensure accuracy, diligence, and timely feedback from stakeholders. Northern Development's operating budget has been consistent from 2009 to 2012 (projected), at \$1,525,526, \$1,448,175, \$1,469,611 and \$1,488,767 respectively. This demonstrates the sustainability of operations at current volumes, and that current staff levels and resources are sufficient to achieve goals.

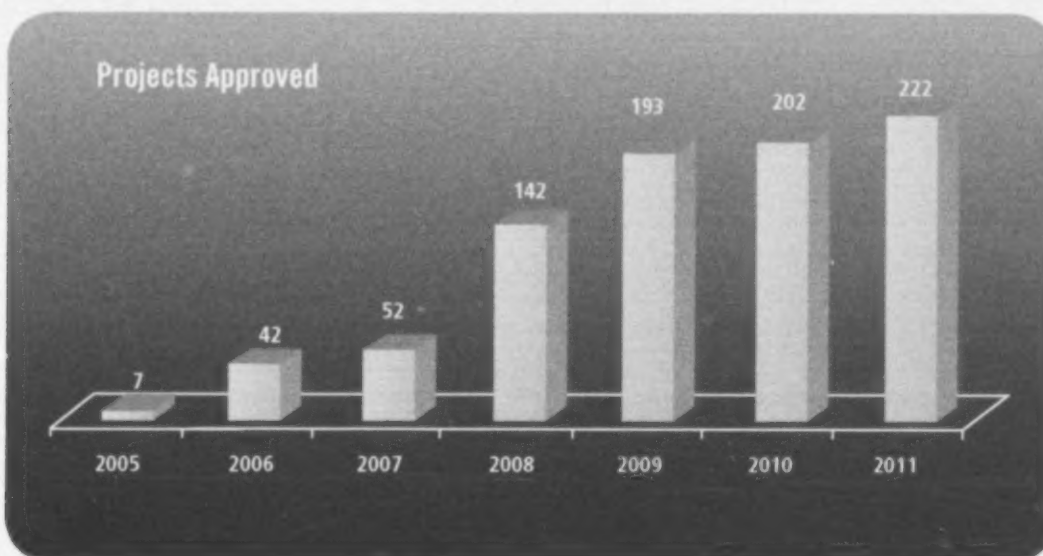
2011 Project Funding

Performance Indicators

This section of the annual report explores funding program delivery, relating key performance indicators back to the strategic plan and their contributions toward the goals and objectives of Northern Development. Northern Development funding initiative proponents are required to submit financial and project performance information which is audited by Northern Development staff prior to final disbursement. This includes an audit of spending verified through ledgers, invoices, payroll remittances and other information related to project objectives (a feasibility study would be provided as additional reporting for the Feasibility Studies Program or marketing materials for the Marketing Initiatives Program, for instance). This section is complimentary to the goals and achievements covered on pages twelve to nineteen of this report.

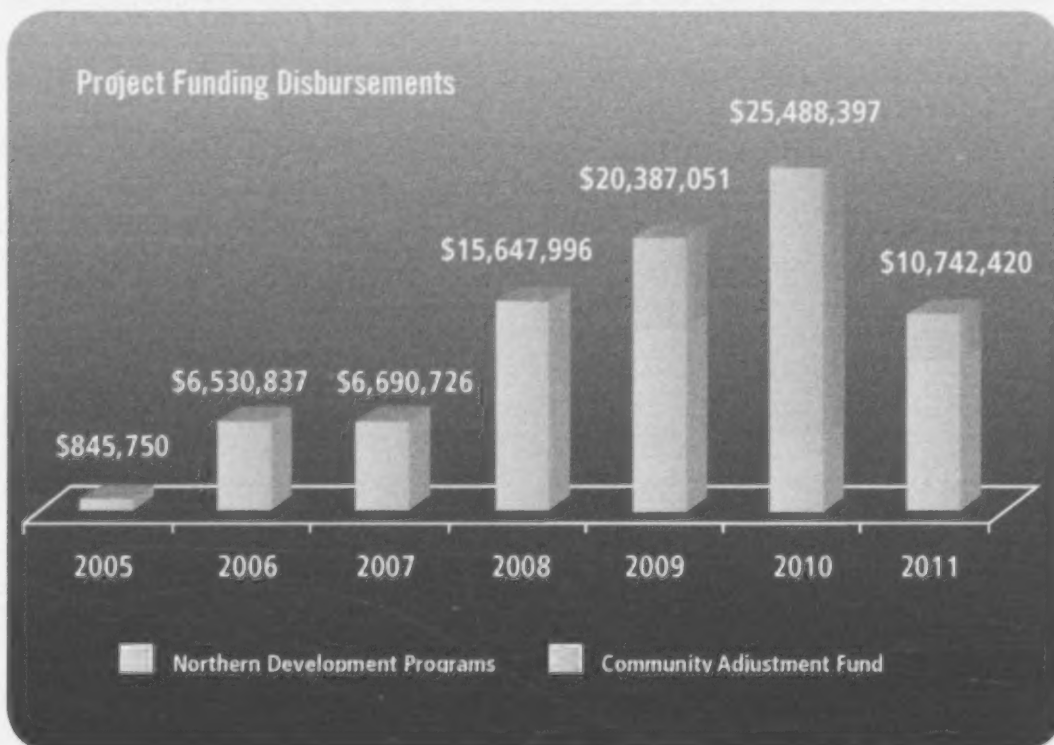
Funding Approvals

Funding approvals, like application intake, also indicates the relevance of programs for stakeholders, and relates to the economic development capacity building, business development and funding program delivery priority areas. Approvals reflect the workload associated with staff due diligence on applications. Optimal funding approvals would equal investment income, less inflation. However, approvals happen throughout the year, and cannot be timed perfectly with fluctuating income levels. Further, approved projects do not always proceed as planned, and funding may flow a year or two after final approval based on the timing of funding approvals from other organizations. Northern Development's Board of Directors therefore expects approvals to remain in the sustainable range of about \$11 million of disbursement per annum, with some fluctuation anticipated in periods of either market growth or stress, and depending on funding programs offered from other sources. Approvals of \$12,681,995 in 2011 therefore meet board expectations for a long term sustainable capital base. Similar results are expected in 2012.



Disbursements

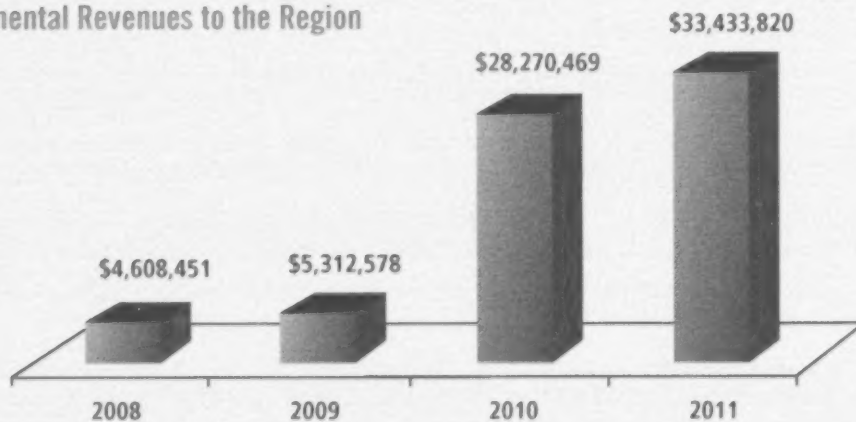
Disbursements, like approvals, are a key performance indicator across funding programs. Disbursements reflect the volume of staff due diligence on project financial reporting, and Northern Development's capacity to process applications, contracts and financial accountability processes. Project disbursements necessarily follow project approvals, and the higher the level of disbursements, the more money Northern Development is investing in the region. Like most key performance statistics, disbursements do not tell the whole story in isolation, but do provide a frame of reference for the goals and achievements discussed on pages twelve to nineteen. Between \$8 and 9.5 million is expected to be disbursed in 2012.



Revenues to the Northern Development Region

Revenues to the Northern Development region are tracked through annual reporting from project proponents for five years after completion for the Feasibility Studies, Marketing Initiatives, Community Halls and Recreation Facilities and Economic Diversification Infrastructure Programs. No third party auditing is carried out in consideration of limited community and staff resources. Incremental revenues flowing to the Northern Development region as a direct result of Northern Development investment is seen as a key performance indicator in the success of program funding. In this case, 2011 revenues of \$334 million surpass expectations, and strong year over year growth is demonstrated. 2012 incremental revenues are anticipated to be slightly higher than in 2011.

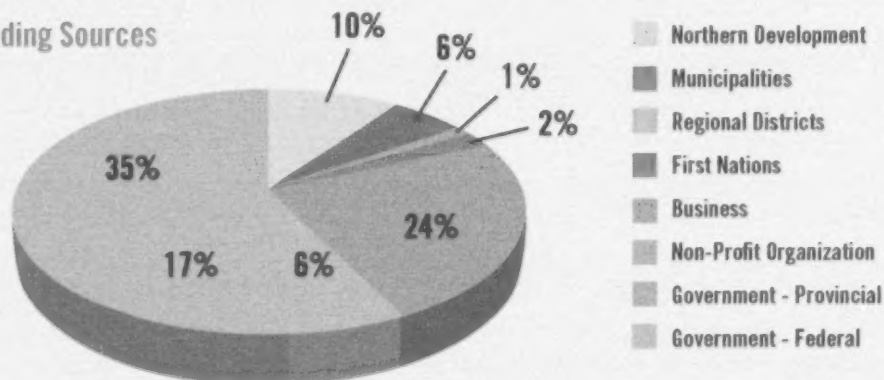
Incremental Revenues to the Region



Other Funding Sources

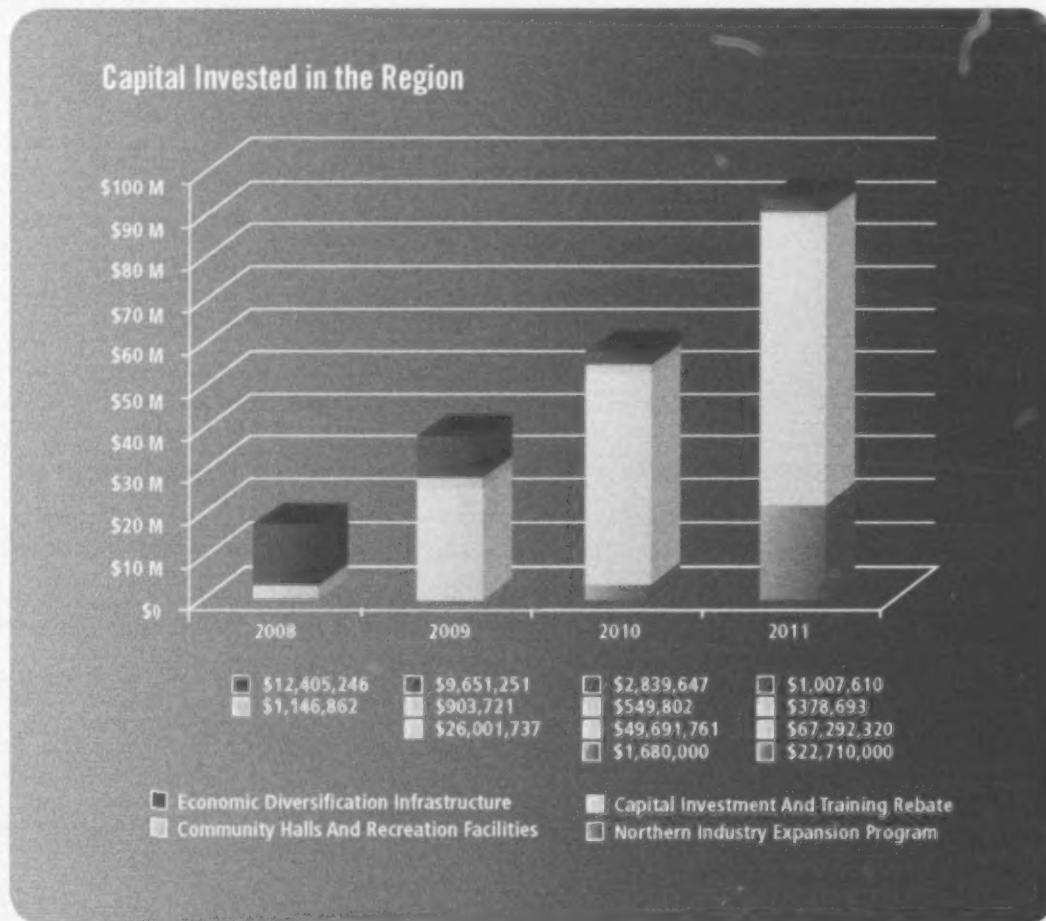
Other Funding Sources is an indication of where leveraged dollars are coming from, supporting Northern Development's primary goal of bringing \$2 billion to the region by 2020. The federal government is by far the source of the most leveraging at 35% of project funding followed by business investment at 24%. The breakdown below is the sum of "Other Funders" listed in successful project applications to date.

Other Funding Sources



Capital Invested

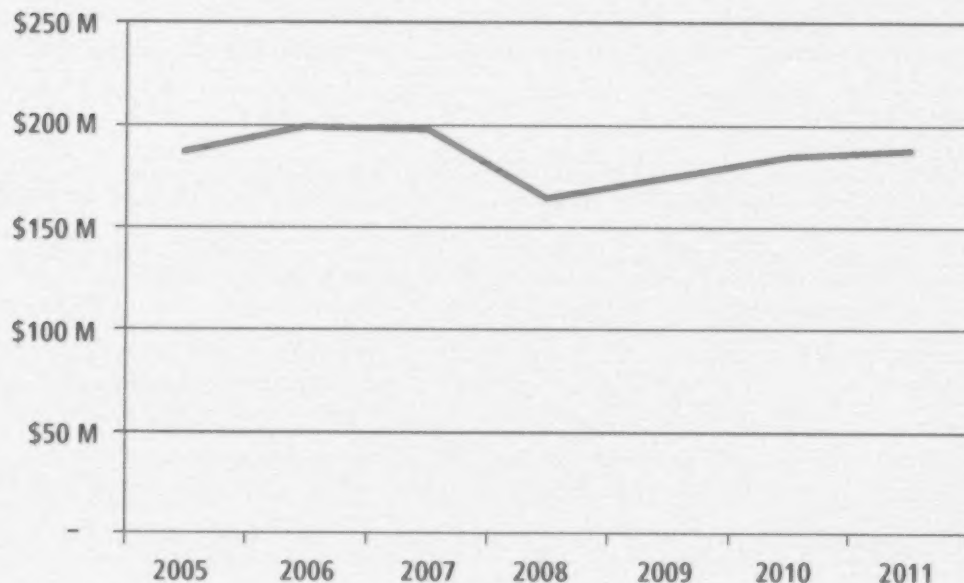
The amount of capital invested in the Northern Development region is tracked for the Northern Industry Expansion Program, Economic Diversification Infrastructure Program, and Community Halls and Recreation Facilities Program on a project by project basis. The total to date also includes capital incented through the Capital Investment and Training Rebate Program, which closed for funding applications as of December 2011. Capital invested is the actual commitment to infrastructure, machinery and equipment assets in the region by project proponents. These assets are used to create wealth through job and revenue creation, or through provision of important infrastructure. This supports the Business Development and Funding Program Delivery priority areas. While an annual target does not exist, it is anticipated that partnered investment should reach a minimum of \$50 million on an annual basis as a key performance indicator that these funding programs are delivering the expected results. Some improvements to the Northern Industry Expansion Program are anticipated in 2012 based on stakeholder feedback regarding access to working capital.



Total Trust Balance

The balance of Northern Development investments and loans receivable makes up Northern Development's total capital base. On December 31st, 2011, Northern Development had 33 loans valued at \$18.3 million outstanding to communities. As discussed in more detail on pages forty-seven and forty-eight of this report, the remaining balance of the Trust is invested. This enables Northern Development to provide a return to communities through granting of the investment income. The following graph demonstrates the balance of Northern Development's capital base since inception:

Northern Development Capital Balance



2011 Fund Balances

The 2011 year end investment account balance of Northern Development accounts was \$170.1 million. Loans and interest receivable were a further \$18.3 million, meaning the total capital balance of Northern Development was \$188.4 million. Northern Development has not experienced any loan defaults in its history. The following table demonstrates the amount available for granting and loans in each of Northern Development's accounts; further information on community allocations within the accounts can be accessed through Northern Development's Quarterly Reports.

Committed Funds - 2012								
	Operating Endowment Account	Cross Regional Account	Pine Beetle Recovery	Cariboo-Chilcotin Lillooet Account	Northwest Account	Northeast Account	Prince George Account	Total
Initial Capital	25,000,000	50,000,000	30,000,000	20,000,000	20,406,256	20,000,000	20,000,000	185,406,256
Accumulated Investment Income	7,758,493	10,956,729	4,747,622	4,067,446	3,510,053	4,725,075	4,961,414	40,726,832
Accumulated Repayments	-	-	1,787,450	67,297	2,347,856	186,151	3,670,000	8,058,754
Accumulated Withdrawals	(7,867,669)	(19,800,253)	(13,995,682)	(5,149,649)	(9,321,771)	(3,138,821)	(4,874,853)	(64,148,698)
Net Other Income / Expense	-	61,269	(7,797)	(8,391)	(32,399)	10,179	(5,001)	17,860
Net Transfers	1,500,000	-	(1,500,000)	-	-	-	-	-
December 31, 2011 Investment Balance	26,390,824	41,217,744	21,031,593	18,976,703	16,909,996	21,782,583	23,751,560	170,061,003
Add: Loan Repayments and Interest Receivable	-	12,335,667	1,685,480	88,783	2,981,173	1,214,514	-	18,305,617
Account Total	26,390,824	53,553,411	22,717,073	19,065,486	19,891,169	22,997,097	23,751,560	188,366,620
Less: Current Project Commitments	-	(9,990,855)	(10,863,311)	(4,461,971)	(756,738)	(752,350)	(628,124)	(27,453,349)
Add Back: Repayable Portion	-	-	1,225,703	2,000,000	395,000	209,101	469,340	4,299,144
Adjusted Uncommitted Balance	26,390,824	43,562,556	13,079,465	16,603,515	19,529,431	22,453,848	23,592,776	165,212,415

Northern Development's Statement of Investment Policies and Procedures provides direction to investment managers. This minimizes risk, and instills accountability. The Statement of Investment Policies and Procedures provides performance criteria to investment managers as the primary evaluation tool. Current performance standards are that equity investments exceed the relevant index by 1.0%, and fixed income investments match the relevant index. Indexes are generally accepted standards against which the performance of a security or investment management firm can be measured. Indexes are usually composed of broad market equities and bonds, and the indexes identified in Northern Development's Statement of Investment Policies and Procedures are provided below:

Investment Type	Index
International Equities	Morgan Stanley Capital Investment (MSCI) World Indexes
Canadian Equities	S&P / Toronto Stock Exchange (TSX) Capped Composite Index
Fixed Income	DEX Bond Fund Indexes

Northern Development investment balances, re-stated by asset type and with performance to the relevant benchmark comparison, are as below:

	Investment Manager	2011 Ending Balance	2011 Performance to Benchmark
Short Term Bonds	TD Asset Management	\$ 10,309,520	0.21%
Real Return Bonds	TD Asset Management	\$ 18,078,902	-0.06%
Canadian Bonds	TD Asset Management	\$ 53,614,193	-0.02%
Canadian Equities	Mawer Investments	\$ 37,554,564	6.46%
Global Equities	AGF Investments	\$ 50,503,823	4.40%
Total		\$ 170,061,003	
Regional Capital Investments (Loans)		\$ 18,305,617	
Total		\$ 188,366,620	

Northern Development's Statement of Investment policies and Procedures also outline what types and risk profiles of securities are eligible for investment, the asset mix between these securities, what constitutes conflict of interest, and other such protocols. Investment managers are therefore required to provide formal certification each quarter that investments remain within the mandate outlined in the Statement of Investment Policies and Procedures.

Northern Development will continue to work with consistently high performing investment managers to ensure returns on the conservative balanced portfolio are optimized each year, and that the amount of funding available for projects remains at sustainable levels. It is believed that this will allow an average of about \$11 million of grant funding to be disbursed each year.

Northern Development has its financial statements and investment transactions audited annually. The results of this 2011 audit is reported on pages fifty-three to seventy of this report. Northern Development was created to meet the future needs of key stakeholders and, as such, does not spend inordinate time or resources auditing non-financial information.

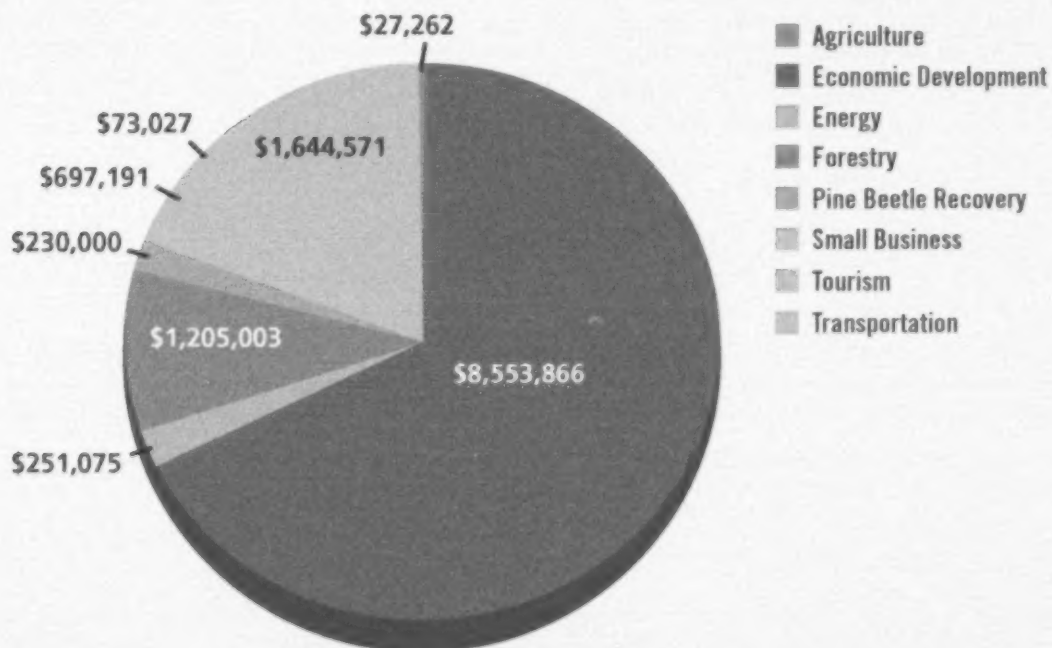
Legislated Investment Areas

It was anticipated by the Northern Development Initiative Trust Act legislation that funds would be committed to specific investment areas. These areas were outlined in the legislation to demonstrate that funding was for economic development activities across a variety of specific sectoral mandates.

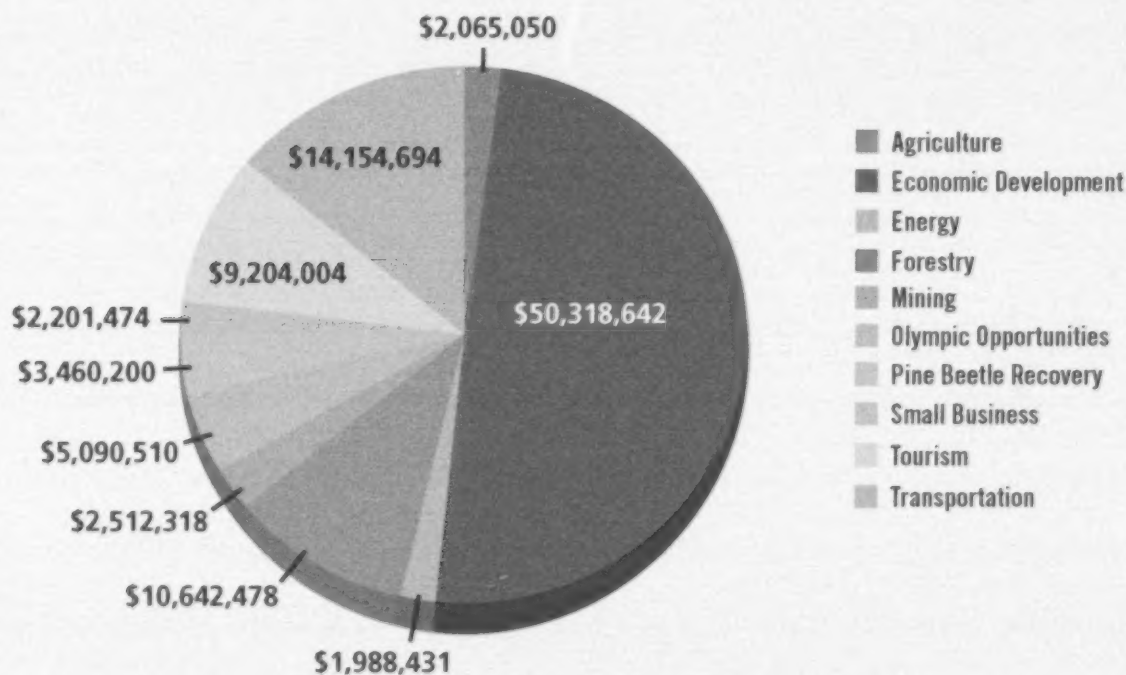
Because applications are proponent driven, Northern Development does not have control over the results of 'mandate area approvals', unless sector specific programs are approved by the Board of Directors. The Board has instead preferred to give regional stakeholders the flexibility to apply to programs consistent with the variation in economic development opportunities across the region.

The legislated investment area of Economic Development is the most relevant of the investment areas to Northern Development projects in 2011, and also to date. This is because many of the Capacity Building programs, such as Grant Writing Support and Economic Development Capacity Building, have annual allocations that are universally coded to "Economic Development". 649 projects have been classified as "Economic Development" to date, with 163 of these approved in 2011.

Northern Development tracks investment by legislated area on each application. The following graph shows these investments approved in 2011:



The percentage approved per investment area is almost identical to the 2010 results. The total investment in each legislated area from inception in 2005 to 2011 is below:



Energy projects result primarily from the Feasibility Studies and the Economic Diversification Infrastructure programs. Primary projects include district heating systems in northern communities, biomass availability and quality studies, investments in training for wind turbine maintenance, and waste to energy type studies. New projects approved in 2011 include feasibility studies for both wind and biomass projects.

Forestry projects typically include those related to community forests, value added industries, branding initiatives, and market research for new forest products. 2011 project approvals include two expansion guarantees for new forest products, and investment into the creation of a new community forest.

Pine Beetle Recovery projects are those directly related to the diversification of the economy in Pine Beetle affected communities. Projects to date include investments into development lands marketing, and alternative wood products (such as pellet production, dowels, etc).

Projects falling under the small business mandate are typically from Northern Development's business programs. Of thirty-one project approvals under this legislated investment area in 2011, 30 were from Northern Development business programs. Twenty-six of these were from the Competitiveness Consulting Rebate program. Notable investments include several projects aiding manufacturers in International Standards Association (ISO) and Worksafe BC's Certificate of Recognition (COR) certification, and also in operational efficiency evaluation and training.

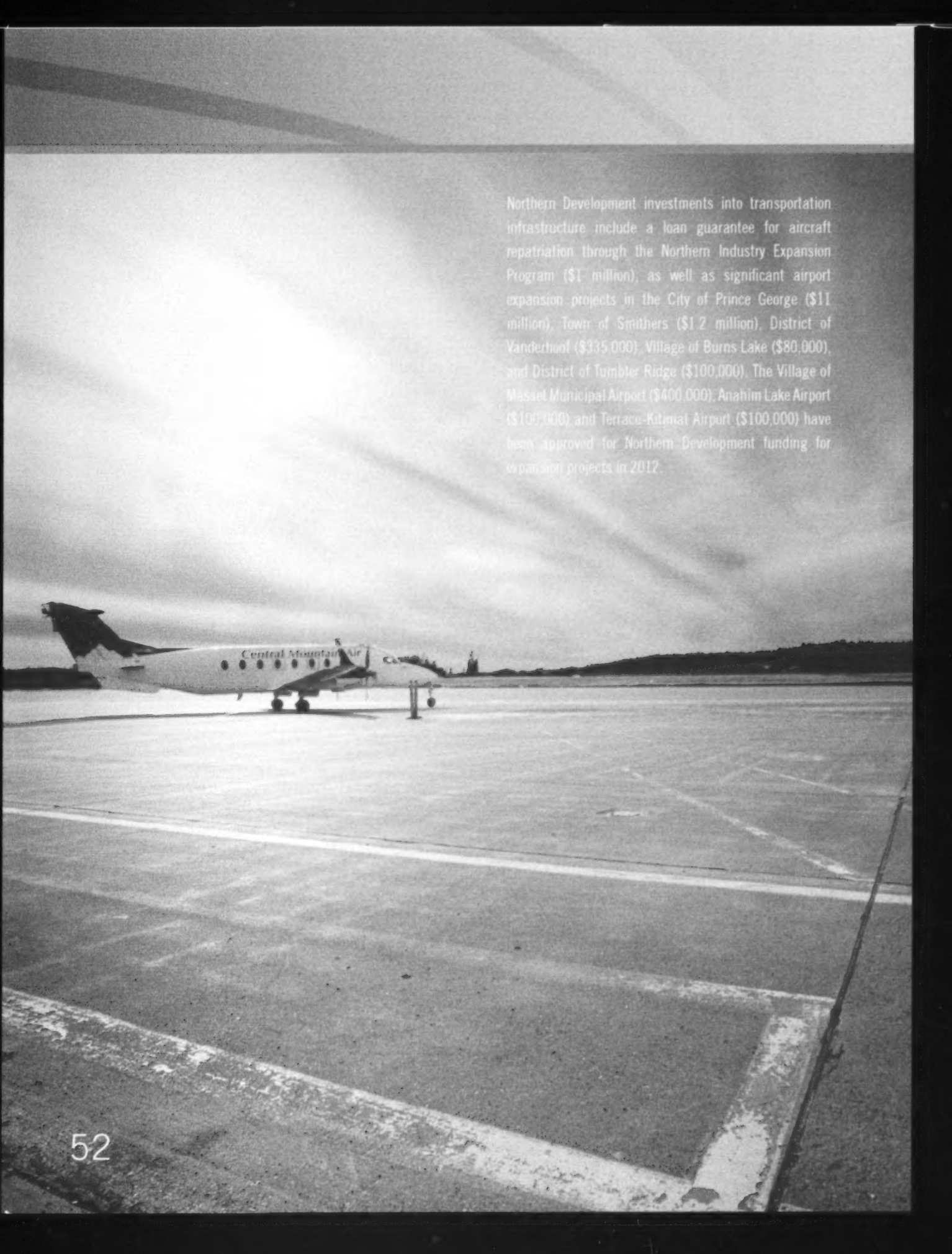
Investments in transportation infrastructure have been significant. Four projects approved in 2011 provide funding for airport expansion. Further projects included funding for a transportation conference, for the purchase of airplanes by a regional airline, and for a feasibility study to reduce carbon emissions in the transportation industry.

Notable projects in the agricultural sector include commitments to purchase and update a grain elevator to allow northern producers to access world markets by rail, investments into auction facilities to allow northern cattle to reach national markets, and investments into mobile poultry processing equipment. 2011 investments include marketing initiatives for web based agricultural awareness, raising the profile of this sector both within and outside of the region.

Mining investments include surveying, education of the regional workforce, the Northwest Powerline Business Case, and the development of web based tools to connect potential suppliers and potential employees with the mines and their principal contractors. These investments amount to \$2.5 million from 2006 to 2011.

The Olympic Opportunities sector was intended to reflect community investments related to the 2010 games in Vancouver. Over \$5 million was invested in training facilities and sport venues from 2006 to 2009.

Tourism investments are primarily related to the Marketing Initiatives program. Destination marketing projects were approved in 2011 for cycling and heritage-based tourism groups, as well as investment into the revitalization of First Nations heritage assets.



Northern Development investments into transportation infrastructure include a loan guarantee for aircraft repatriation through the Northern Industry Expansion Program (\$1 million), as well as significant airport expansion projects in the City of Prince George (\$11 million), Town of Smithers (\$1.2 million), District of Vanderhoof (\$335,000), Village of Burns Lake (\$80,000), and District of Tumbler Ridge (\$100,000). The Village of Masset Municipal Airport (\$400,000), Anahim Lake Airport (\$100,000) and Terrace-Kitimat Airport (\$100,000) have been approved for Northern Development funding for expansion projects in 2012.



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*(*Directly incorporated professional)*

NORTHERN DEVELOPMENT INITIATIVE TRUST

Financial Statements

December 31, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Northern Development Initiative Trust:

We have audited the accompanying financial statements of Northern Development Initiative Trust which comprise the balance sheet as at December 31, 2011 and the statements of operations and fund balances and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern Development Initiative Trust as at December 31, 2011 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

Chan Foucher LeFebvre LLP

CHARTERED ACCOUNTANTS

Prince George, British Columbia

February 8, 2012

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NORTHERN DEVELOPMENT INITIATIVE TRUST
STATEMENT OF OPERATIONS AND FUND BALANCES

year ended December 31, 2011

	Unrestricted	Endowment			
	Operating	Operating Endowment Account	Invested in Capital Assets	Cross Regional Account	Pine Beetle Recovery Account
REVENUE					
Investment income	\$ 712,742	\$ -	\$ -	\$ 1,113,690	\$ 685,271
Interest income - project loans	-	-	-	359,291	90,840
Corporate contributions	-	-	-	-	-
Net unrealized gains	541,936	-	-	514,464	222,459
Gain on disposal of capital assets	-	-	651	-	-
	1,254,678	-	651	1,987,445	998,570
EXPENDITURES					
Amortization	-	-	81,833	-	-
Board costs	45,468	-	-	-	-
Direct project costs	-	-	-	1,432	31,821
General administration	158,278	-	-	-	-
Licences, fees and dues	10,086	-	-	-	-
Office	140,416	-	-	-	-
Professional fees	128,376	-	-	-	-
Regional advisory committees	11,813	-	-	-	-
Repairs and maintenance	45,299	-	-	-	-
Supplies	23,846	-	-	-	-
Wages and benefits	682,060	-	-	-	-
	1,245,642	-	81,833	1,432	31,821
Grants and loans - Schedule 1	-	-	-	2,248,689	4,598,588
Less: Repayable portion	-	-	-	-	(273,122)
Net grants	-	-	-	2,248,689	4,325,466
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	9,036	-	(81,182)	(262,676)	(3,358,717)
FUND BALANCES, BEGINNING OF YEAR	1,564,513	25,000,000	142,136	53,781,977	25,807,556
INTERFUND TRANSFERS	(250,000)	-	-	1,856	250,000
INVESTMENT IN CAPITAL ASSETS (Note 12)	(139,208)	-	139,208	-	-
FUND BALANCES, END OF YEAR	\$ 1,184,341	\$ 25,000,000	\$ 200,162	\$ 53,521,157	\$ 22,698,839

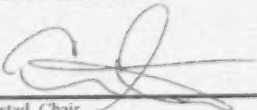
Cariboo-Chilcotin Lillooet Regional Development Account	Restricted Northwest Regional Development Account	Northeast Regional Development Account	Prince George Regional Development Account	Other Trust Funds	Total	
					2011	2010
\$ 461,419	\$ 400,717	\$ 527,870	\$ 564,451	\$ 273	\$ 4,466,433	\$ 4,683,382
-	-	31,921	-	-	482,052	588,282
-	-	-	-	3,008,908	3,008,908	20,196,581
240,670	195,524	274,188	268,533	-	2,257,774	11,416,229
-	-	-	-	-	651	-
702,089	596,241	833,979	832,984	3,009,181	10,215,818	36,884,474
-	-	-	-	-	81,833	73,977
-	-	-	-	-	45,468	62,646
2,274	2,302	2,630	464	13,154	54,077	154,457
-	-	-	-	-	158,278	163,556
-	-	-	-	-	10,086	12,414
-	-	-	-	-	140,416	96,034
-	-	-	-	-	128,376	144,034
-	-	-	-	-	11,813	14,536
-	-	-	-	-	45,299	53,137
-	-	-	-	-	23,846	26,515
-	-	-	-	-	682,060	781,057
2,274	2,302	2,630	464	13,154	1,381,552	1,582,363
322,340	122,913	193,764	128,743	3,136,775	10,751,812	25,462,466
(72,551)	-	(11,450)	-	-	(357,123)	(1,098,618)
249,789	122,913	182,314	128,743	3,136,775	10,394,689	24,363,848
450,026	471,026	649,035	703,777	(140,748)	(1,560,423)	10,938,263
18,599,275	19,405,958	22,329,729	23,030,275	557,578	190,218,997	179,280,734
-	-	-	(1,856)	-	-	-
-	-	-	-	-	-	-
\$ 19,049,301	\$ 19,876,984	\$ 22,978,764	\$ 23,732,196	\$ 416,830	\$ 188,658,574	\$ 190,218,997

NORTHERN DEVELOPMENT INITIATIVE TRUST BALANCE SHEET

as at December 31, 2011

	Unrestricted	Endowment			
	Operating	Operating Endowment Account	Invested in Capital Assets	Cross Regional Account	Pine Beetle Recovery Account
CURRENT ASSETS					
Cash	\$ 59,952	\$ -	\$ -	\$ -	-
Miscellaneous receivables	4,109	-	-	650	-
Prepaid expenses	34,818	-	-	-	-
Current portion of loans receivable (Note 4)	-	-	-	-	1,212,475
	98,879	-	-	650	1,212,475
LOANS RECEIVABLE (Note 4)	-	-	-	12,335,667	473,005
INVESTMENTS (Note 5)	1,390,824	25,000,000	-	41,217,744	21,031,593
CAPITAL ASSETS (Note 6)	-	-	200,162	-	-
	\$ 1,489,703	\$ 25,000,000	\$ 200,162	\$ 53,554,061	\$ 22,717,073
CURRENT LIABILITIES					
Accounts payable and accrued liabilities (Note 7)	\$ 305,362	\$ -	\$ -	32,904	18,234
Current portion of loans payable (Note 8)	-	-	-	-	-
	305,362	-	-	32,904	18,234
LOANS PAYABLE (Note 8)	-	-	-	-	-
	305,362	-	-	32,904	18,234
CONTINGENCIES (Note 10)					
COMMITMENTS (Note 11)					
FUND BALANCES					
Operating					
Endowment fund (Note 9)	-	25,000,000	-	-	-
Externally restricted - uncommitted	-	-	-	43,562,556	11,853,762
Externally restricted - committed (Schedule 1)	-	-	-	9,958,601	10,845,077
Unrestricted	1,184,341	-	200,162	-	-
	1,184,341	25,000,000	200,162	53,521,157	22,698,839
	\$ 1,489,703	\$ 25,000,000	\$ 200,162	\$ 53,554,061	\$ 22,717,073

APPROVED BY THE BOARD


Evan Saugstad, Chair
Northern Development Initiative Trust

Director

Restricted					Total		
Cariboo-Chilcotin Lillooet Regional Development Account	Northwest Regional Development Account	Northeast Regional Development Account	Prince George Regional Development Account	Other Trust Funds	2011	2010	January 1, 2010
\$ -	\$ -	\$ -	\$ -	\$ 160,890	\$ 220,842	\$ 617,698	\$ 785,924
-	-	-	-	256,024	260,783	910,327	89,268
-	-	-	-	-	34,818	16,373	28,337
34,233	731,485	81,103	-	3,934,696	5,993,992	6,517,755	2,628,968
34,233	731,485	81,103	-	4,351,610	6,510,435	8,062,153	3,532,497
54,550	2,249,688	1,133,411	-	11,646,636	27,892,957	30,266,662	22,962,631
18,976,703	16,909,996	21,782,583	23,751,560	-	170,061,003	170,379,624	157,211,176
-	-	-	-	-	200,162	142,136	121,867
\$ 19,065,486	\$ 19,891,169	\$ 22,997,097	\$ 23,751,560	\$ 15,998,246	\$ 204,664,557	\$ 208,850,575	\$ 183,828,171
\$ 16,185	\$ 14,185	\$ 18,333	\$ 19,364	\$ 84	\$ 424,651	\$ 1,102,403	\$ 102,539
-	-	-	-	3,934,696	3,934,696	3,534,830	850,000
16,185	14,185	18,333	19,364	3,934,780	4,359,347	4,637,233	952,539
-	-	-	-	11,646,636	11,646,636	13,994,345	3,594,898
16,185	14,185	18,333	19,364	15,581,416	16,005,983	18,631,578	4,547,437
-	-	-	-	-	25,000,000	25,000,000	25,000,000
14,603,515	19,134,431	22,244,747	23,123,436	281,830	134,804,277	123,166,266	131,218,105
4,445,786	742,553	734,017	608,760	135,000	27,469,794	40,346,082	22,246,125
-	-	-	-	-	1,384,503	1,706,649	816,504
19,049,301	19,876,984	22,978,764	23,732,196	416,830	188,658,574	190,218,997	179,280,734
\$ 19,065,486	\$ 19,891,169	\$ 22,997,097	\$ 23,751,560	\$ 15,998,246	\$ 204,664,557	\$ 208,850,575	\$ 183,828,171

NORTHERN DEVELOPMENT INITIATIVE TRUST
STATEMENT OF CASH FLOWS
year ended December 31, 2011

	2011	2010
NET INFLOW (OUTFLOW) OF CASH FROM:		
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	\$(1,560,423)	\$ 10,938,263
Items not affecting cash		
Amortization	81,833	73,977
Net unrealized gains	(2,257,774)	(11,416,229)
Gain on disposal of capital assets	(651)	-
Accrued interest on loans receivable	<u>(456,235)</u>	<u>(595,704)</u>
	(4,193,250)	(999,693)
Changes in non-cash operating working capital items		
Miscellaneous receivables	649,544	(821,059)
Prepaid expenses	(18,445)	11,964
Accounts payable and accrued liabilities	<u>(677,752)</u>	<u>999,864</u>
	<u>(4,239,903)</u>	<u>(808,924)</u>
FINANCING ACTIVITY		
(Decrease) increase in loans payable	<u>(1,947,843)</u>	<u>13,084,277</u>
INVESTING ACTIVITIES		
Decrease (increase) in investments	2,576,395	(1,752,219)
Repayment of loans receivable	5,235,023	4,226,550
Advance of loans receivable	(1,881,320)	(14,823,664)
Acquisition of capital assets	<u>(139,208)</u>	<u>(94,246)</u>
	<u>5,790,890</u>	<u>(12,443,579)</u>
NET CASH AND CASH EQUIVALENTS OUTFLOW	(396,856)	(168,226)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>617,698</u>	<u>785,924</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 220,842</u>	<u>\$ 617,698</u>

NORTHERN DEVELOPMENT INITIATIVE TRUST NOTES TO THE FINANCIAL STATEMENTS

year ended December 31, 2011

1. PURPOSE OF THE TRUST

The Northern Development Initiative Trust (the "Trust") is a not-for-profit organization incorporated under the Northern Development Initiative Trust Act in October 2004. The vision of the Trust is that Northern British Columbia has world-class industries, diversified regional economies and growing, energetic communities. The mission of the Trust is to be a catalyst for Northern B.C. and grow a strong diversified economy by stimulating sustainable economic growth through strategic and leveraged investments. The British Columbia Provincial government awarded the Trust \$135 million in 2004 and a further \$50 million in 2005 in order to achieve these objectives.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations and include the following significant accounting policies:

Fund accounting

The Trust follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the Trust's general activities.

The Restricted Funds are comprised of the Cross Regional Account, Pine Beetle Recovery Account, Cariboo-Chilcotin Lillooet Regional Development Account, Northwest Regional Development Account, Northeast Regional Development Account and Prince George Regional Development Account and report contributions restricted to activities outlined in their respective strategic plans. The Other Trust Funds are comprised of the Western Economic Diversification Community Adjustment Fund, Young Innovator Scholarship Fund, New Relationship Trust Fund and Northwest Powerline Fund and report contributions restricted to activities outlined in their respective strategic plans.

Revenue recognition

Externally restricted contributions received for the Cross Regional Account, Pine Beetle Recovery Account, Cariboo-Chilcotin Lillooet Regional Development Account, Northwest Regional Development Account, Northeast Regional Development Account, Prince George Regional Development Account and Other Trust Funds are recognized as revenue in the year received. All other externally restricted contributions received are recognized in the Operating Fund as revenue in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue in the Operating Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized to the extent received or receivable.

NORTHERN DEVELOPMENT INITIATIVE TRUST
NOTES TO THE FINANCIAL STATEMENTS

year ended December 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Externally restricted - committed funds

Committed externally restricted funds represent funds at year end for specific project proposals that have been approved by the Board of Directors and the cash disbursement will not occur until a future date after year end once the conditions of the signed funding agreement are met.

Externally restricted - uncommitted funds

Uncommitted externally restricted funds represent funds not committed at year end to specific project proposals.

Grants and repayable grants

Grants and repayable grants awarded by the Trust are recognized when the conditions of the signed funding agreement are met and funds have been disbursed.

Loans receivable

Loans receivable are carried at amortized cost.

Investments

Investments are recorded at market value. The difference between historical cost and fair value is recorded as an unrealized gain or loss and recorded in the excess (deficiency) of revenue over expenditures in the period in which the difference occurred. Gains and losses realized during the year are computed using the average cost method and recognized directly in the excess (deficiency) of revenue over expenditures.

Capital assets

Capital assets are recorded at cost. Capital assets are amortized using the straight-line method at the following annual rates:

Computer equipment	33%
Leasehold improvements	20%
Office equipment	20%
Software	100%
Vehicle	20%

NORTHERN DEVELOPMENT INITIATIVE TRUST
NOTES TO THE FINANCIAL STATEMENTS

year ended December 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

No provision has been made for income taxes in these financial statements as the Trust is exempt under Paragraph 149(1)(c) of the Income Tax Act.

Foreign currency translation

The Company uses the temporal method to translate its foreign currency transactions into Canadian dollars.

Monetary assets and liabilities are translated at the rate of exchange in effect at year-end. Other assets and liabilities are translated at their historic rates. Items related to earnings are translated at average rates of exchange prevailing during the year. Realized and unrealized exchange gains and losses are included in the statement of operations.

Statement of cash flows

The statement of cash flows is prepared using the indirect method. Under this method, the excess (deficiency) of revenue over expenditures is adjusted for the effect of non-cash items, changes during the period in operating items, other deferrals or accruals of past or future operating receipts or payments, and revenues, expenses, gains or losses associated with investing or financing cash flows. The Trust considers currency on hand, demand deposits with financial institutions and all highly liquid investments purchased with a maturity of three months or less to be cash and cash equivalents.

Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles for not-for-profit organizations requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these amounts are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

NORTHERN DEVELOPMENT INITIATIVE TRUST
NOTES TO THE FINANCIAL STATEMENTS

year ended December 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Measurement

The Trust initially measures its financial assets and liabilities at fair value. The Trust subsequently measures its financial assets and liabilities at amortized cost or fair value. Financial assets measured at fair value are cash and investments. Financial assets measured at amortized cost are miscellaneous receivables and loans receivable. Financial liabilities measured at amortized cost are accounts payable and accrued liabilities and loans payable.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net earnings. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting allowance accounts, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess (deficiency) of revenue over expenditures.

3. FIRST TIME ADOPTION OF ACCOUNTING STANDARD FOR NOT-FOR-PROFIT ORGANIZATIONS

The Trust has applied Part III of the CICA Accounting Handbook "Accounting standards for not-for-profit organizations" as its basis of Canadian generally accepted accounting standards.

These financial statements are the first financial statements for which the Trust has applied accounting standards for not-for-profit organizations. The financial statements for the year ended December 31, 2011 were prepared in accordance with the standards and provisions set out in First-time adoption by not-for-profit organizations, Section 1501, for the first-time adopters of this basis of accounting. There was no material impact related to adopting these standards and as such, there was no material effect on fund balances, assets, liabilities, excess (deficiency) of revenue over expenditures or cash flows.

NORTHERN DEVELOPMENT INITIATIVE TRUST
NOTES TO THE FINANCIAL STATEMENTS

year ended December 31, 2011

4. LOANS RECEIVABLE

	2011	2010
Cross Regional Development Account - Prince George		
Repayable commencing in 2015 including interest at bank prime rate (December 31, 2011 - 3%)	\$ 12,335,667	\$ 11,976,375
Pine Beetle Recovery Account		
Repayable in annual instalments of \$1,384,359 in 2012, \$564,330 in 2013 and 2014, and \$551,855 in 2015 including interest between 0.0% and 6.8%, certain loans are secured by specific property, assignment of life insurance and personal guarantee, with additional funds being advanced in 2012 and 2013 totalling \$1,224,728	1,685,480	1,346,467
Cariboo-Chilcotin Lillooet Regional Development Account		
Repayable in annual instalments of \$34,233 in 2012, \$18,000 thereafter until 2014 with a final payment of \$18,550 in 2015, non-interest bearing	88,783	33,157
Northwest Regional Development Account		
Repayable in annual instalments of \$731,485 in 2012, \$563,396 in 2013 to 2014, \$454,105 in 2015, \$332,396 in 2016 and 2017, and \$2,000 in 2018 and 2019, noninterest bearing	2,981,173	3,725,250
Northeast Regional Development Account		
Repayable in annual instalments of \$87,400 in 2012 to 2017 including interest at 4% and interest-free quarterly instalments of \$6,000 with a final payment of \$267,800 in September 2020	1,214,514	1,293,993
Prince George Regional Development Account	-	880,000
Western Economic Diversification Community Adjustment Fund		
Repayable in quarterly instalments of \$1,045,955 in 2012 to 2014, \$885,764 in 2015 and a final instalment of \$85,355 in the first quarter of 2016, including interest between 0.0% and 3.75%	15,581,332	17,529,175
	\$ 33,886,949	\$ 36,784,417
Current portion	5,993,992	6,517,755
	\$ 27,892,957	\$ 30,266,662

NORTHERN DEVELOPMENT INITIATIVE TRUST
NOTES TO THE FINANCIAL STATEMENTS

year ended December 31, 2011

5. INVESTMENTS

The Trust's investments are held with Canadian Western Trust at fair market value.

6. CAPITAL ASSETS

	Cost	Accumulated Amortization	2011 Net Carrying Amount	2010 Net Carrying Amount
Computer equipment	\$ 143,557	\$ 97,961	\$ 45,596	\$ 47,912
Leasehold improvements	47,676	6,004	41,672	8,267
Office equipment	122,517	73,739	48,778	35,465
Software	130,610	127,597	3,013	19,355
Vehicle	63,187	2,084	61,103	31,137
	<u>\$ 507,547</u>	<u>\$ 307,385</u>	<u>\$ 200,162</u>	<u>\$ 142,136</u>

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Trade and accrued liabilities	\$ 407,298	\$ 1,072,799
Payroll and withholding taxes	17,353	29,604
	<u>\$ 424,651</u>	<u>\$ 1,102,403</u>

8. LOANS PAYABLE

The loans payable relate to the Western Economic Diversification Community Adjustment Fund and will be repaid under the same terms as detailed for the loan receivable in Note 4.

9. ENDOWMENT FUND

The Endowment Fund was set up to receive proceeds of \$25,000,000 from the Government of British Columbia in terms of the Northern Development Initiative Trust Act ("NDIT Act"). Interest or other income earned from the money invested may be used to cover operating expenditures incurred by the directors and officers of the Trust to perform their obligations under the NDIT Act. Income earned on the endowment is recorded fully in the Operating Fund. Included in operations is investment income of \$791,735 (2010 - \$815,804) and net unrealized gains of \$541,936 (2010 - \$1,825,690) for the year ended December 31, 2011.

NORTHERN DEVELOPMENT INITIATIVE TRUST
NOTES TO THE FINANCIAL STATEMENTS

year ended December 31, 2011

10. CONTINGENCIES

The Trust is contingently liable as guarantor of loans with unrelated parties to the amount of \$2,604,253.

The Trust has a demand credit facility for standby letters of credit authorized to \$15,000,000, secured by a general security agreement placing a first-priority interest in all present and future property of the Trust. As at December 31, 2011 there were two letters of credit issued for a total of \$3,750,000, expiring between May and November 2012.

11. COMMITMENTS

The Trust leases premises under a lease which expires May 2019 and certain computer and office equipment. The minimum lease payments in each of the next five years are:

2012	\$	131,966
2013		124,907
2014		123,318
2015		123,318
2016		123,318

The lease of premises has price index adjustments commencing in 2014, the effect of which has not been reflected above as it cannot be reasonably estimated.

12. INVESTED IN CAPITAL ASSETS

	2011	2010
Invested in capital assets is calculated as follows:		
Opening balance	\$ 142,136	\$ 121,867
Investment in capital assets:		
Acquisition of capital assets	163,708	94,246
Proceeds on disposition of capital assets	(24,500)	-
	139,208	94,246
	281,344	216,113
Deficiency of revenue over expenditures:		
Gain on disposition of capital assets	651	-
Amortization	(81,833)	(73,977)
	(81,182)	(73,977)
	\$ 200,162	\$ 142,136

NORTHERN DEVELOPMENT INITIATIVE TRUST
NOTES TO THE FINANCIAL STATEMENTS

year ended December 31, 2011

13. SUPPLEMENTAL CASH FLOWS INFORMATION

	2011	2010
Non-cash financing and investing activity		
Acquisition of capital assets financed with proceeds on disposition of capital assets	\$ 24,500	\$ -

14. EMPLOYEE FUTURE BENEFITS

The Trust, and its employees, contribute to the BC Public Service Pension Plan (the "Plan"), a jointly trustee pension plan. The Board of Trustees, representing Plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of the benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 55,000 active members and approximately 33,000 retired members. Active members include approximately 85 contributors from the provincial government, crown corporations, government agencies and not-for-profit organizations.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at March 31, 2008 indicated a surplus of \$487 million for basic pension benefits. Since that time, financial markets have experienced significant downturn, and trustees will continue to closely monitor the impact this financial environment is having on the Plan. Despite the modest surplus, the Public Service Pension Board of Trustees is required to implement a contribution rate increase to meet the funding requirements of the Pension Benefits Standards Act. The next valuation will be as at March 31, 2011 to be included in the March 31, 2012 financial statements. The actuary does not attribute portions of the unfunded liability to individual employers. The Trust paid \$61,106 (2010 - \$54,342) for employer contributions to the plan during the year.

15. FINANCIAL INSTRUMENTS

a) Credit risk

The Trust's maximum exposure to credit risk is limited to the amount of outstanding loans receivable except for the loans receivable in the Western Economic Diversification Community Adjustment Fund ("CAF"). If any of the loan holders in the CAF default on their debts to the Trust, the Trust is not liable for these amounts. The Trust mitigates its credit risk by dealing with borrowers considered to be of high quality and by monitoring their credit risk through the Trust's project funding approval process. As at December 31, 2011, no amounts are past due.

b) Foreign exchange risk

The Trust holds certain investments with exposure to foreign markets and currency fluctuations. The Trust employs investment diversification to manage this risk.

c) Interest rate risk

Interest rate risk refers to the impact of interest rate changes on the Trust's fixed income securities. Rising interest rates cause a decrease in bond prices. The Trust employs investment diversification to manage this risk.

d) Market risk

Market risk is the risk that the fair value of an investment will fluctuate as a result of changes in market price. The Trust employs investment diversification to manage this risk.

16. COMPARATIVE FIGURES

Certain of the comparative figures, which were reported on by another auditor, have been reclassified to conform to the current year's presentation.

NORTHERN DEVELOPMENT INITIATIVE TRUST
 SCHEDULE OF EXTERNALLY RESTRICTED - COMMITTED FUNDS
 year ended December 31, 2011

SCHEDULE 1

Account	Total Funding Approved	Grants and loans		2011 Outstanding Commitments	2010 Outstanding Commitments
		Current Year Disbursements	Prior Years Disbursements		
Cross Regional Account	\$ 29,758,854	\$ 2,248,689	\$ 17,551,564	\$ 9,958,601	\$ 17,488,036
Pine Beetle Recovery Account	24,840,759	4,598,588	9,397,094	10,845,077	19,119,755
Cariboo-Chilcotin/Lillooet Regional Development Account	9,595,436	322,340	4,827,310	4,445,786	400,635
Northwest Regional Development Account	10,064,324	122,913	9,198,858	742,553	344,555
Northeast Regional Development Account	3,872,838	193,764	2,945,057	734,017	1,531,832
Prince George Regional Development Account	5,483,612	128,743	4,746,109	608,760	664,344
Other Trust Fund Disbursements	30,163,529	3,136,775	26,891,754	135,000	796,925
TOTAL	\$ 113,779,352	\$ 10,751,812	\$ 75,557,746	\$ 27,469,794	\$ 40,346,082

Staff

Janine North	Chief Executive Officer
Dennis Callaghan	Chief Financial Officer
Renata King	Director, Business Development
Dean McKinley	Director, Economic Development
Brodie Guy	Director, Market Development
Karen Borden	Executive Coordinator
Holly Hill	Financial Analyst
Tess Elo	Accounting Coordinator
Jennifer Sumner	Finance and Administration Clerk

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A map of Northern British Columbia is shown, with numerous small, square photographs pinned to it. The photos depict various scenes: people working, construction sites, natural landscapes, and community events. The map is set against a dark, textured background that looks like a close-up of a tree trunk or bark.

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